Foreign
Broadcast
Information
Service

Daily Report
Supplement

Central Eurasia

FBIS-SOV-95-061-S
Thursday
30 March 1995

Central Eurasia
SUPPLEMENT

FBIS-SOV-95-061-S CONTENTS *30 March 1995*

NOTICE: An * indicates material not previously disseminated in electronic form.

INTERREGIONAL AFFAIRS

*Resettlement of Russian Refugees From Tajikistan Discussed *[OBSHCHAYA GAZETA 9-15 Mar]* 1

RUSSIA NATIONAL AFFAIRS

Economic Issues

*Federation Council Asks Yeltsin To Veto Central Bank Law *[ROSSIYSKAYA GAZETA 22 Mar]* 3
*President of Russian Land Bank on Activities *[BIZNES I BANKI Feb]* 3
*Concern Over Commercial Banks Status Voiced *[BIZNES I BANKI Mar]* 6
*Treasury Bonds Aid State in Borrowing 'Cheap' Money *[IZVESTIYA 7 Mar]* 7
*'Realists' Club Assesses Economic Reform *[DELOVOY MIR 27 Feb-5 Mar]* 9
*Former Sakhalin Governor on Prospects for Economy *[RABOCHAYA TRIBUNA 1 Mar]* 12
*Finance Ministry Official on Short-Term Obligations *[DELOVOY MIR 7 Mar]* 16
*Relations With International Financial Organizations Defined *[KOMMERSANT-DAILY 4 Mar]* 18
*Commentary on Decree Regulating Prices in 1995 *[KOMMERSANT-DAILY 15 Mar]* 19
*Development of Entrepreneurship in Northwest Region Debated *[KOMMERSANT-DAILY 18 Mar]* 20
*Antimonopoly Agency Performance Evaluated *[IZVESTIYA 17 Mar]* 21
Conflict Between Federal Authorities, Luzhkov Examined *[KOMMERSANT-DAILY 16 Mar]* 23
*Magnitogorsk Combine Legal Difficulties Detailed *[SEGODNYA 14 Mar]* 27
*Directive Sets up Additional Federal Wholesale Market Days *[ROSSIYSKAYA GAZETA 22 Mar]* 30
*Poll on Foreign Companies Competitive Potential Held *[KOMMERSANT-DAILY 18 Mar]* 31
*Decree Transfers Federal Socio-Cultural Facilities to Regions *[ROSSIYSKAYA GAZETA 22 Mar]* 32
*Problems of Magadan Gold Mining Industry *[RABOCHAYA TRIBUNA 17 Mar]* 33
*TU Official on Worker Unrest in Krasnodar Kray *[RABOCHAYA TRIBUNA 22 Mar]* 34
*Drop in Birth Rate, Increase in Mortality Noted *[TRUD 16 Mar]* 36
*Report on Activities of Ethnic Criminal Groups *[KOMMERSANT-DAILY 17 Mar]* 37
*New Oil Refinery Company Planned *[KOMMERSANT-DAILY 14 Mar]* 40
*TU-330, AN-70 Supercargo Plane Designs Analyzed *[SEGODNYA 16 Mar]* 41
*Railway Minister on Strengthening Sector Cooperation *[GUDOK 14 Mar]* 42

UKRAINE

International Affairs

*SOTSIS-Gallup Poll on War in Chechnya *[DEMOKRATYCHNA UKRAYINA 2 Mar]* 45

National Affairs

*Pustovoytenko on Executive Authority, Constitution *[URYADOVYY KURYER 2 Feb]* 45
*Kuchma Overturns Meshkov Edicts *[URYADOVYY KURYER 25 Feb]* 47

Economic Issues

*SOTSIS-GALLUP Poll on Attitudes Toward Privatization *[URYADOVYY KURYER 11 Mar]* ... 48

SOTSIS-Gallup Poll on Price Liberalization, National Currency *[DEMOKRATYCHNA UKRAYINA 4 Mar]* 49
*Center for Post-Privatization Assistance Created *[URYADOVYY KURYER 4 Mar]* 51
Kiev To Pay Uzbekistan for Turkmen Gas *[DEMOKRATYCHNA UKRAYINA 25 Feb]* 51
National Bank Sells First Government Bonds *[KIYEVSKIYE VEDOMOSTI 14 Mar]* 51

WESTERN REGION

Belarus

*Supreme Council Commission Chairman on President, Elections *[RESPUBLIKA 24 Feb]* 53
List of Parties Eligible To Run in Elections *[BELAPAN 7 Mar]* 55

CAUCASUS

Armenia

*Significance of Election of New Katholikos Viewed *[NEZAVISIMAYA GAZETA 11 Mar]* 59
*Parliament Activities Detailed *[VREMYA 22 Mar]* 59
*Sociologist Views Upcoming Elections *[VREMYA 22 Mar]* 60

*Resettlement of Russian Refugees From Tajikistan Discussed

954F1764A Moscow OBSHCHAYA GAZETA in Russian No 10, 9-15 Mar 95 p 6

[Article by Marina Nekrasova: "We Have Nowhere To Retreat to"]

[FBIS Translated Text] Frames of the television program "Compatriots": dark arches of an old city bath house and a corridor with many doors, out of which women and children look out. Refugees. Borisoglebsk. Then: A construction site, peasants getting excited in front of the camera covering a large front of work, building cranes, and trucks of the Kama Motor Vehicle Plant... Perspective: Here there will be a settlement for refugees. Real sturdy housing—their own.

In general, in such places as Borisoglebsk people do not like newcomers. Even persons on business trips disturb the usual landscape and bring irregularities to the motionlessly frozen way of life formed a long time ago. But here, one can say, there is a whole colony. From where? From such remote places that Borisoglebsk residents have no concept of the people from those places. This is not quite so. Someone promulgated preposterous propaganda: Do not rent apartments to resettlers, they may seize them! And they do not rent them. Slowly, 3 years later, the city realizes: Fresh forces are infused into it, lifting it spiritually and improving its financial well-being.

As far as I know, such strong resettlement organizations as "KhOKO" in Borisoglebsk can be counted on the fingers of one hand in the country. This is almost the only "positive experience in the solution of the problem of resettlers' establishment in Russia." It is called as follows: the TEPKTs (Creative Experimental Production and Commercial Center) "KhOKO" Joint-Stock Company. At one time in Dushanbe life this was at first an association of artists, architects, designers, and people in related fields under the Tajik SSR Exhibition of Achievements of the USSR National Economy. In time the association was converted into a cooperative and later, into a joint-stock company. Then the events of February 1991 erupted in Dushanbe, sounding the first alarm. The first Russian families left the republic. The logic of events developing in Tajikistan was implacable: "Adherents of different faiths" will have to leave. Anatoliy Balashov, who remained the director of "KhOKO," and his associates became clearly aware of another thing: Only a collective or a group of fellow countrymen can handle the burdens of adjustment to life in a strange city.

A group of "KhOKO" members left for Russia, which was still Soviet Russia at that time, for the purpose of finding a place for the "relocation," which would meet at least several requirements. Of course, the availability of jobs was the main one. By that time the restoration of architectural-cultural monuments became the basic direction in "KhOKO" activity, which to some extent predetermined the choice of the place—Borisoglebsk in Voronezh Oblast, a city, where many architectural monuments, including churches, needed restoration. There were no local "forces" for this. Therefore, city authorities manifested interest in the newcomers' offer and provided them with work. By 1991 "KhOKO" developed a program for the resettlement of Dushanbe residents, who desired it, in Borisoglebsk. The program encompassed all urgent matters—from the move from Central Asia to Russia to the provision of work places and the infrastructure of the future settlement. Land for it was assigned in the field on the outskirts of the city near a radar station with the following condition: The station is moved to another place at the expense of the resettlement organization.

"We are carrying out construction '50-50' with the city in the sense that they give us land and we give them roads, electric transmission lines, gas, water supply, and a sewer system plus everyday services for the future microrayon, where the people of Borisoglebsk are building houses for themselves," Anatoliy Balashov, director-general of "KhOKO," says. "All this proceeds with the necessary life adjustment according to our program, which we had already signed in various Russian instances 4 years ago. Some ministries and departments are our investors—for example, the Russian Federal Migration Service and the Russian 'Sootechestvenniki' [Compatriots] Foundation for Assistance to Refugees, which was the first to help us with funds. By no means everyone that one would wish as yet supports the program."

Construction requires enormous funds. In addition to the mentioned investments, principal financing has come from the resettlers themselves. Contracts are concluded for the construction of cottages and money is paid. Those that are able pay in full for the house. Now "KhOKO" offers its members a 7- to 10-year deferred payment. However, if the organization itself gets a long deferment of payment for the credits of government structures, it will be possible to increase the period of the former to 15 years. The cost of a cottage often includes the transport of belongings in a railroad car from Tajikistan to Russia. In the republic people have no money and "KhOKO" is the only organization in the former USSR, which transports—under its own protection—the belongings of its "clients" to the place of future residence.

The first thing undertaken by resettlers in Borisoglebsk was the organization of work places for themselves. They conducted sociological research within their group and began to establish enterprises for leading occupations. Now there are about 14 of them and there are plans for 35. Of course, life dictates the main trend: the solution of housing construction problems. The settlement is planned for 22,500 residents and a substantial base for the production of building materials is needed. Now many shops have been built and work for "KhOKO" members, producing brick, tongue-and-groove blocks, roof tile, doors, frames, and joinery products. Part of the materials are put up for sale and the money earned again is spent on the construction site.

Today "KhOKO" also provides work places for the people of Borisoglebsk. Incidentally, this is one of few enterprises in the city where wages are paid regularly. Nevertheless, many local residents still have something against the newcomers. To what do they object? "We have lived in log cabins for 100 years and you have come and are building palaces." And who prevents you from doing this?

"We have encountered nonacceptance by the population right away," Balashov says. "We wanted to change its mind with words, but realized the absurdity of such an idea. We decided to do this with deeds..." For now "KhOKO" members live in dormitories of agricultural and road tekhnikums, which are leased for them partly by their enterprise and partly by the Federal Migration Service. They live in a city hotel, occupying the entire fourth floor. This year temporary housing has increased: There are two mini-settlements consisting of small railroad cars and there are also so-called SODs—little semicircular orchard and garden houses. Of course, water is brought in, but there is electricity. There is even a "KhOKO" library. As Balashov says, there is a medical and sanitary unit, in other words, a resettlers' polyclinic. Fedor Nikolayevich Grigoryev, an old local physician, gave the house for it. He also heads it. The newly arrived medical personnel is highly skilled. Therefore, local residents resort to the services of the new polyclinic more and more often and "KhOKO" members do not refuse them...

They also have become involved in the town's cultural life. Tatyana Begisheva and Leonid Mordvinov from Dushanbe have become leading actors in the local theater. They are in charge of dance circles and of the children's Raduga Club. An exhibit by landscape painter Fedor Sadmanov, Tajikistan's honored artist, was held. The editorial department of BORISOGLEBSKIY VESTNIK warmly received the newly arrived journalists. An enterprise for the restoration of architectural and cultural monuments and a jewelry shop operate. Today "KhOKO" no longer represents Dushanbe residents alone, but also resettlers from Uzbekistan, Kazakhstan, and other republics. True, there is an indispensable condition: One must work on a construction site for half a year, even if one's profession is different from the building profession.

In fact, the scope is considerable. There is a huge motor pool, a sewing shop, apiaries, and subsidiary gardens.. "KhOKO" has decided to open its own federal, not regional, newspaper now.

"We see it as a weekly, NASH DOM [OUR HOME]," journalist Grigoriy Kleyman says. "A resettlers' newspaper will not brush our problems aside, as many other newspapers do. Typographic equipment has already been purchased."

A great deal can be said about the formation and life of the "KhOKO" resettlement organization. There is humanitarian assistance sent to Dushanbe: flour, sugar, hulled and rolled products, and... boards for coffins. After all, there is no wood there. There are clothes for benefit performances sewn by Tatyana Begisheva in "her" shop. There are restored churches in the city...

However, the chief thing is that houses are being built. At least a dozen already have a roof and finishing work is going on. An 18-apartment house in the center of the city is being rented. The construction of another multiapartment house in the area of the industrial base is being completed... Of course, houses do not grow like mushrooms and years will be needed to solve the problem. Health will be undermined and children will grow. But there will be a city.

Economic Issues

*Federation Council Asks Yeltsin To Veto Central Bank Law

954E0745C Moscow ROSSIYSKAYA GAZETA in Russian 22 Mar 95 p 16

[Article by Aleksandr Linkov: "Passions Around the Central Bank"]

[FBIS Translated Text] **Deputies of the Federation Council adopted an appeal to Russia's President Boris Yeltsin, which talks about the need to reject the law adopted by the State Duma "On Introducing Changes in and Supplements to the RSFSR Law 'On the RSFSR Central Bank [Bank of Russia].'" For the resolution of the differences that have arisen between parliament members of the two chambers it proposes the establishment of a conciliation commission.**

Owing to what could a dispute arise if the conciliation of the parties requires the intervention of the head of the state? Owing to different points of view concerning the same problem. The above-mentioned legal act, whose author is State Duma deputy Boris Fedorov, a well-known financier, for almost 1 year underwent "running in" in the lower chamber of the parliament. Specialists of the Ministry of Finance and of commercial banks were enlisted in work on it and all higher officials connected with it took part in hearings on the draft law. Drafters of the document mention several of its main advantages. First of all, they say, the law protects the Central Bank from all the branches of power. Neither the president, nor the prime minister, nor the minister of finance can force it to issue credits, to print money, or to get into debts. Second, the Central Bank is released from responsibility for the lawsuits begun against it. Third, it finally will make it possible to appoint the head of the Central Bank and to proceed to the adoption of the next law on banks and banking activity, which is closely tied with this law.

The arguments are quite convincing. However, the Federation Council, nevertheless, renders its strict verdict: To reject the law owing to the unacceptability of some provisions.

By what were deputies of the upper chamber guided, adopting such a decision? Let us turn to the remarks prepared for parliament members by Doctor of Economic Sciences Larisa Piyasheva. There are quite many of them. Let us dwell only on some. For example, it is pointed out that, as before, the State Duma draft law does not determine the status of the Bank of Russia. In some articles it appears as a budget State Bank provided with appropriate functions and powers. According to others, it is considered one of 1,600 commercial banks existing on its own income. The special status of the Central Bank is determined, according to which it becomes a central financial power and is protected against any encroachments on the part of anyone whatsoever. It is released from past state debts and is not responsible for the future. It becomes completely free in its activity and must, not only can, establish all the rules, norms, forms, interest, and quotas for all commercial banks. Furthermore, it is granted the right to organize, regulate, control, and "clear up" the activity of every commercial bank, savings fund, and financial and credit institution. Other remarks on the law are also substantiated.

Having examined these and other arguments by experts, deputies expressed their complaints in brief form in the appeal to the president. For example, it talks about the unacceptability of a situation, in which the state is not responsible for the obligations of the Bank of Russia. In their opinion, this means "... that in the law an attempt was made to release the state from responsibility for the realization of powers directly classified by Article 71 of the Constitution of the Russian Federation with matters within the jurisdiction of the Russian Federation. It is obvious that the state, transferring its most important monopoly functions to the Bank of Russia, must assume responsibility for its actions."

However, why is all this and other matters expressed to Russia's President, not to colleagues from the lower chamber? The point is that, having rejected the law, senators were ready to work on it in the conciliation commission. However, Duma members decided in their own way: If you don't want to, well, you don't have to... They steered the law by two-thirds of the vote through their chamber and directly sent it to the president for signature. Deputies of the upper chamber right away made a retaliatory move: They turned to Boris Yeltsin.

It is not yet clear how the dispute among parliament members will end. Only one thing is clear: There are several points of view concerning one of the key problems—what should the banking system in a reformed Russian economy be. We will not go into all the fine points, we will leave this matter to professionals. Today, however, most Russians need the quickest possible appearance of laws protecting them from arbitrariness in any, including financial, sphere.

*President of Russian Land Bank on Activities

954E0723A Moscow BIZNES I BANKI in Russian No 7, Feb 95 pp 1, 2

[Article by V. V. Zhabin, president of Russian Land Bank: "Mortgage the Land"]

[FBIS Translated Text] A new concept is entering the banking sphere—the land bank. I have in mind not the name but specifically the concept, the nature of the activity. Today in Russia there are 12 banks whose names include the word "land." It is commendable that bankers are striving to link their activities with that most reliable and valuable security, but so far they cannot call their banks land banks in the full sense of this concept. I risk appearing immodest, but our Russian Land Bank, opened in Yegoryevsk below Moscow with branches in Moscow and Shatura, is specifically a land bank in its philosophy and primary purpose.

We are the first bank which was authorized to own land as part of its statutory capital. We own 10,000 hectares of land below Moscow. By the most modest estimates it is worth 50-70 billion rubles [R]. The land owned by the bank has land areas used in agricultural production as well as vacant land areas, forests, water basins, meadows, and hay fields. This land comes from redistribution funds transferred to the bank by its founders and farms with various forms of ownership, as well as by city and rayon administrations.

The bank's philosophy and strategy were not developed by us. We are striving to adopt the best principles and work methods of the land banks of prerevolutionary Russia. Few know that land law and land mortgaging in Russia prior to the revolution was more than an order higher than anywhere else in the world. Land law, land relations, and laws on land banks in the United States were formed using our good old Russia as an example. If we are to speak about our Homeland, it is necessary to stress that banks played an outstanding role in bringing the country out of serfdom and into the ranks of the most tumultuously developing countries. Those Russian land banks worked out and described all the mechanisms of operations with land in accordance with existing land relations. It is regrettable that at the present time, in preparing the land code and other appropriate laws regulating relations in that area, legislators and experts make little reference to Russian experience. I have to direct that criticism at myself as well because I am the State Duma expert on land issues.

When we started working on documents for creating our bank two years ago, there were few who believed in the realization of that idea. Nevertheless, the Central Bank issued a license granting us the right to perform all banking operations. As a bank we work with GKO [government short-term bonds] and deposits, and we operate on the interbank credit market. The bank completed last year with a profit. Even though our founders are not very rich, they are not urging early distribution of profit. Instead they prefer to expand credit activity thereby creating conditions and a basis for high revenues in the future.

Thus, the Russian Land Bank carries out mortgage operations with land, forwarding operations with next-year harvests, and other operations that were rarely conducted in the past for certain objective reasons (poorly elaborated legislation, lack of mechanisms for transferring land and other real property) and also for subjective reasons such as fear of innovations. A paradoxical situation developed where formally buying and selling land is prohibited, but in fact the "black market" involving land trading operates in accordance with all rules of the market. There are no mechanisms for buying and selling land, but there are thousands of loopholes making land transfer possible. A vacuum formed in land legislation, but Russian practice indicates that it is possible to work in a vacuum as well. After all commercial banks functioned at a time when not a single law existed regulating their activities. First create, then legalize—this seems to be a Russian characteristic.

Thus there is a huge black market in land, and we have come very close to where land can be the subject of a mortgage. Just two or three years ago the large banks of Russia could not even think about real property being taxed, but now they are actively working with it, steadily increasing turnover. It will be no surprise if the same happens with land.

The banks are slowly but steadily showing an increased interest in land. They are no longer obtaining super-profits in operations with oil, petroleum products, or foreign currency or on the securities market. The search for other markets ensuring if not super-profits, at least stability, inevitably leads toward land, which is increasingly becoming a commodity.

Our bank anticipates land issues. To lower the risks, it has control of an insurance company, an investment company, a company for appraising land and real property, and a trading house. In other words, the bank has a sufficiently firm foundation with its own niche on the credit and money market. We give priority to work with the government of Moscow Oblast. Several programs are being implemented there in which God himself has instructed us to participate. For instance, plots are being allocated for construction of housing both for local residents and for resettlers from the north and other regions. Lots are also being allocated along highways for gas stations, motels, cafes, and other facilities. They will be sold at auctions or through mortgages. Unfortunately, today much is being sold without any treasury control, bypassing not only the federal but also oblast and rayon budgets. That is why the efforts of the oblast government aimed at placing everything within a normal civilized framework deserve wholehearted approval.

The managers of farms and enterprises who have land frequently come to our bank and request our help in making land transactions. They state directly that they are afraid to go one-on-one with many potential "partners" because of possible swindling, racketeering, etc. It is another matter to make transactions with the participation of the land bank which knows all the finer details of a transaction and is interested in its legality and reliability.

It is impossible to talk about alternative forms of financing agriculture without the creation and expansion of land banks. Under conditions created by the huge budget deficit the government is cutting back and is unable to avoid decreasing subsidies for agriculture. This year confirms that. As usual, some farms are requesting credit on special terms from the government, while others insist on repealing those special terms. In one way or another, it is quite clear today that a system of alternative financing of the branch is needed. So far, however, no one is proposing an alternative mechanism, even though it is not necessary to invent one because one already exists. It is the mechanism of the old Russian Land Bank. After studying the principles and methods of its operation, it is possible to find answers to almost all the questions which we are now encountering. Relying on the methods of our grandfathers, we worked out mechanisms for mortgaging land, working with land mortgages, and obtaining credits with land as collateral.

All of these rules completely fit in with current legislation and land relationships that are developing. Therefore the heads of agricultural enterprises (kolkhozes, sovkhozes, and joint-stock companies) are showing great interest in us as are executives of local organs of power. They have land at their disposal and are quite naturally ready to utilize it as a guarantee that credit will be repaid or for carrying out projects important to them. Our bank, as I have already mentioned, is located in Yegoryevsk, and its main sphere of activity is Podmoskovye. Representatives of the administration of Podmoskovye districts visit us often. They need money for agricultural production. Money, however, is needed not just in Podmoskovye. Administrations in Volgograd, Vologodsk, Kalinigrad, Novgorod, Orlov, Pskov, and Yaroslav oblasts, as well as the Chuvash Republic are establishing contacts with us. There are banks on their territories as well which also perform certain functions for the purpose of which they were created, but with us they are finding what is most pertinent to them: acquisition of credit secured with land.

Centralized credit for agriculture is again being granted, it is true, with the provision that it be repaid. Repayment, however, must be guaranteed in some manner. After all the heads of kolkhozes and sovkhozes (currently joint-stock and other companies) are perverted by the fact that formerly they never repaid their debts. What is the guarantee that they will be repaid today? If they are granted credit secured by land, it is then understood that failing to repay the debt you will lose the land which feeds you.

Thus, alternative financing must be based on repayment of credit secured with land. We know that working with land is not easy, in addition to which much depends on natural and climatic conditions as well, which one way or another calls for some subsidies. Such subsidizing, however, can take place through that same mortgage system, through a change in interest rates. When alternative financing is expanded, then the large banks will join in investing substantial funds in the branch.

Land as a subject of mortgaging must become a very powerful stimulant prompting economic development. The manner in which it is mortgaged and remortgaged is known to the Russian people mostly through their literature. We are hoping that in the near future we will be able to provide an example of such remortgaging under the new conditions. One bank wishes to grant us credit on the basis of a mortgage, while a second bank wants to purchase that mortgage, and in the future it will return to us. We would like to conduct that operation and show concretely that land is starting to work as a financial mechanism. We are not yet realizing how rich we are having so much land. Many countries are out of land for development unless expansion goes underground or straight up in high-rise construction. I am absolutely convinced that within five years land secured promissory notes will be quoted at all exchanges in the world. I believe that the interest being shown by the agrarian banks of Germany, the United States, and France is not incidental. They want to understand how far our reform will go in agriculture and what prospects may be opening up there, including some that are suitable for them.

The large banks are becoming increasingly interested in production, and many of them are currently buying up real property connected with construction, production of fertilizers, and chemistry based on local raw material. They either own shares of those enterprises or are acting on instructions from their clients; in any case they are interested in staking out the ground where extraction of minerals is taking place. As a rule, the universal banks do not know how to do that. They lack the mechanism, and often it makes no sense to create one, inasmuch as land problems are certainly not among their main spheres of endeavor. On their instructions, all of this may be done by a specialized land bank.

Unfortunately so far there is no mechanism for the functioning of securities. The entire world deals in mortgages. If such mortgages would exist at present, questions concerning mutual payments would be considerably simplified. At present it is risky even for a major bank to issue long-term credit at 200 percent interest because, as a rule, there is no reliable guarantee of repayment. It is another matter if land is proposed as collateral. Then the bank would be ready to grant credit at 130 percent interest because the land becomes steadily more expensive. All this would promote activation of investments which are needed so much in the Russian economy.

Many medium-size and small banks operating in remote areas appear to be facing diminishing prospects lately. At the same time they are specifically the ones which should have good prospects inasmuch as they are closest to the land. The only question is how to work with it. In this situation our bank can help with methodological materials. This also requires collective efforts, a normal, civilized lobby, if you will. We could also create a Union of Land Banks within the framework of the Association of Russian Banks. That idea is supported by the association. The union could work out documentation needed for work with land and defend its interests.

Above we talked mainly about the financial aspect and about land as an asset by itself, but any financial form, of course, does not alter the fact that it is a unique means of production. The bank helps to change owners of the land, but existing, and one must believe, future laws as well must protect and continue to protect it against ruin and degradation. If agricultural land is involved then it is cultivated and produces a harvest, if it is worthless land it may be improved or used as construction sites. The more zealous the owner of the land the greater its yield.

*Concern Over Commercial Banks Status Voiced

954E0724A Moscow BIZNES I BANKI in Russian No 9, March 95 p 1

[Article by S. Yegorov, president of Association of Russian Banks: "On the Critical Situation Facing the Banking System"]

[FBIS Translated Text] The Association of Russian Banks is concerned over the unfavorable situation which the commercial banks are now facing which may have an extremely negative effect on further development of the banking system and also harm the Russian economy.

In the last several months central economic agencies have adopted decisions which undermine the financial position of commercial banks and lead to bankruptcy.

1. The Central Bank of Russia directed that commercial banks create reserves to cover possible debt write-offs when compiling bookkeeping reports for 1994. The creation of reserves is an important step in consolidating the stability and reliability of banks and in verifying their balance sheets and the results of their operations, all the more so under conditions created by an unstable economy and massive payment delinquencies. It is fully in accord with international practice. The Russian Government Decree No 490 of 16 May 1993 stipulates that reserves which are created would apply to bank expenditures and are taken into consideration in the calculation of the taxable base of the bank profits tax. Russia's State Tax Service and Ministry of Finance, however, contrary to that decision, dispatched telegrams to the tax organs (on 18 November 1994 and 30 January 1995) with the instruction not to consider these expenditures and raise taxes on bank profits. As a result, conflicts developed between all of the tax inspectorates and banks in Russia. Banks found themselves facing a very difficult choice: either fulfill the directive of the Central Bank in compiling bookkeeping balance sheets for 1994 or distort reports to satisfy requirements set forth in the telegrams from the State Tax Service and the Ministry of Finance. An outrageous situation developed where thousands of banks and tax service offices are being drawn into a conflict.

On 24 December 1994, the Russian State Duma Committee on the Budget, Taxes, Banks, and Finances, after studying the illegal actions of the State Tax Service and the Ministry of Finance, recommended that they rescind their instructions and study the question concerning individuals exceeding their powers with regard to issuing enforceable laws which contradict Russian legislation. The State Tax Service and the Ministry of Finance, however, are not complying with the recommendation of the State Duma and continue acting arbitrarily.

2. In addition to that, in violation of the government decree, the Ministry of Finance and the State Tax Service issued an order to its organs to raise taxes on bank profits in cases when they issue loans to legal bodies at rates below the Central Bank discount rate.

Such a position is in direct violation of the law on banks and banking activity, which grants banks the right to independently determine interest rates. It distorts the economic sense of credit operations. Banks are seeking cheaper resources in order to grant enterprises credit they can readily afford. For that, however, they are being punished by the tax inspectorates.

3. Under conditions created by a serious crime situation, banks are intensifying security and security services. Even these expenditures for their maintenance, however, are not being taken into consideration by tax organs in the calculation of bank profits tax.

4. Bank profits taxes are higher than those of enterprises by five percent (43 percent versus 38 percent). The question over establishing a tax rate for banks at the same level as that for enterprises has remained unresolved for a long time. Abroad the tax rates are the same, and in a number of countries they are even lower. Such excessively high withdrawal of funds deprives banks of being able to create a material-technical base and modern technological processes.

5. In addition to the existing burdensome reserve requirements (in excess of 20 percent of the funds being attracted are deducted by commercial banks into the mandatory reserve fund of the Russian Central Bank), as of 1 February 1995 the Russian Central Bank also introduced deductions from clients' foreign currency funds of 2 percent. The deductions already exceed 11 trillion rubles [R], which is more than all of the statutory bank funds combined by a factor of four. No other country with a developed economy has such high "collections". The new deduction from foreign currency funds increases mandatory reserves by another several trillion rubles. These requirements sharply reduce the ability of commercial banks to serve credit enterprises and investments.

6. The order used by the Central Bank of the Russian Federation to calculate interest on unpaid interest on centralized credits have ruinous consequences for the economy and the banks, as a result of which the interest rate proves to be higher than any usurious loan and exceeds 3,000 percent a year. This credit was issued last year principally to the agro-industrial complex without which agricultural goods producers would not have been able to obtain a harvest. In western countries interest is not computed on interest.

7. Despite protests by the ARB [Association of Russian Banks], the Ministry of Finance, the Russian State Tax

Service, and the Russian Central Bank complicated the procedure of opening and maintaining accounts for clients in banks, introduced a regime requiring that tax organs be notified of intent to open any account, and directed banks to submit information to tax organs on clients, which interferes with normal relations and financial-economic activity of enterprises.

8. It is possible to continue the list of such "measures" but they produce just one result: the undermining of bank stability. In 1992-1994, more than 300 banks went out of business. According to preliminary data 20 percent of the banks ended 1994 with a loss and hundreds of banks are currently potential candidates for bankruptcy. They affect many thousands of depositors and bank clients. That process is also reflected on the finances of the state since banks perform functions involved in the collection of taxes, fulfillment of budgets, currency control, and international accounting.

9. A complex of measures for state support of commercial banks and prevention of massive bankruptcies, along with a moderate credit-monetary policy, is needed in the unhealthy situation that has been created Possible major negative consequences for the economy in case of a massive bankruptcy of the banking system are being underestimated. The association has submitted its proposals to the Russian Government and Central Bank.

10. The Association of Russian Banks has repeatedly raised these and other issues with the Ministry of Finance of the Russian Federation, the State Tax Service, the Central Bank of Russia, the Russian president, the Russian Government, the State Duma, and the Federation Council and made appropriate proposals aimed at strengthening the stability of the banking system. The problems facing the banks, however, remain unresolved which forces the ARB to indicate that an unfavorable situation has been created in the banking system.

*Treasury Bonds Aid State in Borrowing 'Cheap' Money

954E0728A Moscow IZVESTIYA (Finansovyye Izvestiye Supplement No 16) in Russian 7 Mar 95 p 3

[Article by Aleksandr Rudik, head of the Rossiyskiy Kredit commercial depository bank: "Treasury Bonds Allow State To Borrow Very 'Cheap' Money"]

[FBIS Translated Text] One of the most important reasons for the crisis in Russia's economy is the problem of inter-enterprise debt. All attempts to solve it have ended in only partial success, since TsB (Central Bank) credits have not been used for their specified purposes and sometimes have simply been stolen, the promissory notes of many banks have exceeded their backing, and the promissory notes of companies and enterprises themselves have been and remain quite restricted in their circulation. All this has led to a long awaited event: the state itself has stepped in to solve the arrears problem, not with the help of the printing press but by an entirely civilized means. In October 1994, the Ministry of Finance published its "Position on the Issue, Circulation, and Repayment of Treasury Bonds" (henceforth "Position"), a document regulating the general rules of the game with respect to treasury bond (KO) operations. According to this document, KOs are emitted in separate series, each serviced by a depository bank authorized by the Finance Ministry. All the specific conditions for issuing one or another KO series are established in the agreement between the Finance Ministry and the bank and are reflected in the global certificate for the series.

Based on the current situation, when more than a hundred KO series have been issued, we can say with a great degree of assurance that the state, as represented by the Finance Ministry, has carried out its tasks "almost brilliantly".

KOs are an interest-bearing security, and today income for all series has been established on the basis of 40 percent annual interest. If you consider that calculations with enterprises on the financing of supplies and repayment of budget indebtedness are carried out at face value of the KO, then it is obvious that the Finance Ministry is effectively borrowing money for a term of more than four months at 5-6 times below the market rate. Moreover, next time the entire burden of losses from the conversion of KOs to "real money" will be borne by the enterprises themselves, especially since, according to the conditions of KO circulation, during the sale of these securities on the secondary market below their nominal value (which primarily affects enterprises that have received KO as payment for output delivered), the resulting difference is covered out of profit.

—According to the Position, exchanging KOs for release from the payment of taxes to the federal budget ("tax releases") is possible for the sum exceeding the KO's face value. In this way the Finance Ministry has attempted to interest enterprises in accepting KOs in repayment of indebtedness as well as in payment for output delivered. Although as of today the procedure for issuing and circulating tax releases has not been worked out in full, one can say with confidence that thanks to this circumstance the stock market has accepted the KO. Moreover, these securities have begun to a certain extent to fulfill their basic function: to act as an instrument for repaying inter-enterprise arrears.

—Stock market participants have been given one more very reliable (it is a state security, after all) instrument for investment, and now the KO market is already quite broad and active.

—In counterbalance to the Central Bank, the Finance Ministry has attempted to "untwist" unobtrusively the development of the stock market's infrastructure, in particular the depository network, according to its own scenario. The institution of authorized depositories may in the future become a basis for creating a national clearing system on the model of CEDEL or EUROCLEAR.

Despite the successes achieved by the Finance Ministry in the matter of creating an instrument for "noninflationary" budget financing, there are also substantial deficiencies.

Above all, the servicing of individual KO series is carried out mostly by different depository banks. In the process, despite virtually identical conditions for KO emissions, services for KO owners in various depositories varies, which to some extent complicates and delays KO operations, especially on the secondary market. Moreover, having full information on KO owners, authorized banks acquire an unfounded advantage in carrying out speculative operations on the secondary market in these securities.

The correct solution to this question would probably be to place all KO issues in a single authorized depository, either one existing at the present moment or else one newly created. The latter scenario is more acceptable to the state (Finance Ministry) and KO market participants, since it (the depository, the bank) could become a prototype for the above-mentioned clearing system. The given depository (bank) would have to be prohibited from conducting operations on the KO secondary market, which would establish equal playing conditions for participants in this market.

Virtually everyone who has tried to solve the tangle of inter-enterprise arrears knows that one of the basic tasks of this activity is ensuring the transit of promissory notes in inter-enterprise settlements. In issuing KOs, the Finance Ministry did not set itself this task, and as a result enterprises found themselves holding something like money that, on the one hand, the state paid them with and on the other, no one else would accept from the enterprise. In this kind of a situation, such an enterprise is forced to sell its KOs at a known loss. Even the mandatory endorsements established as restrictions on the sale of KOs in the case of an increase in time limits from the date of emission to the date of the start of repayment on the KO have proved excessive. In order to increase the number of inter-enterprise settlements carried out with treasury bonds, the Finance Ministry, in addition to transferring the functions of agent for servicing and repaying KOs to an authorized bank, must obligate those banks to assist enterprises in mutual compensation.

Moreover, implementing the KO emission in noncash form greatly complicated the secondary circulation of those securities, since enterprise directors had a hard time presenting "a money replacement in the form of entries into 'depot' accounts at authorized depositories" and tried to get rid of their KOs as fast as possible.

Nonetheless, despite the deficiencies, this Finance Ministry project can be considered successful. KOs have won a place in the stock market, although in a somewhat different role than anticipated. From an instrument for repaying inter-enterprise arrears, KOs have been transformed:

—for the state, into an budget financing instrument under very advantageous conditions (compare them with the GKO [state commercial association!]);

—for stock market participants, into another reliable (although with great tension) high-income investment instrument;

—for enterprises, into a means for decreasing tax payments into the federal budget.

As of today, this situation has had an effect on the state of the KO market. For series with shorter repayment terms (February-March), prices were set at a level that supported income yield toward repayment to GKOs and MBKs of somewhat higher income yield (there is a certain degree of risk here, although the first repayments went well); for series with longer repayment terms (May-August), prices are mostly determined by the demand for tax releases (that is, by the size of the discount), which so far is much greater than the supply on the market, and not by the level of income yield on the investment. As a result of this, the income yield toward repayment on these series was set at a level of 160-210 percent annual interest with investment periods starting at four months. This price trend will probably hold for the near future.

As for the possibility of the Finance Ministry refusing to pay on KOs, this is highly unlikely, based on two considerations. First, in the budget passed for 1995, in the article on expenditures, allocations are envisaged for the servicing of domestic debt in amounts that cover the existing volumes of KO issue, even taking into account the repayment of the bond coupons of the domestic state currency loan. The second factor is purely political. If the Finance Ministry refuses to pay on KOs, it will be a major blow to the entire market in state securities, including foreign loans.

As of today, the largest operators on the KO market are the commercial banks, including Menatep, Promradtekhbank, Oneksimbank, and Rossiyskiy Kredit. Looking at the spectrum of KO operations on the example of Rossiyskiy Kredit, it can be noted that of the dozen types of services rendered, the most interesting for enterprises are assistance in reducing losses (practically to zero) on the sale of KOs below face value, the solution of problems with clearing operations in these securities for output delivered, and the development of schemes for enterprises for the most efficient use of the KOs they own. Moreover, KO buying and selling operations occupy a large place. In the first week of February, circulation rose by several factors. Now pension funds and insurance companies have begun to enter the KO market, which improves the market's liquidity and in the final analysis attests to a return of confidence in the state.

**Realists' Club Assesses Economic Reform

954E0692A Moscow DELOVOY MIR in Russian 27 Feb 95-5 Mar 95 p 15

[Excerpt from a report entitled "Russia's Reforming: Results and Prospects" to the "Realists" Club by Gennadiy Osipov, academician of the Russian Academy of Sciences, director of the Institute of Socio-Political Research: "To Move Toward the Past Is Destructive for Russia"]

[FBIS Translated Text] Russia and the former USSR republics connected to it by historical and geopolitical factors have found themselves in a difficult system crisis, which has encompassed the entire vital activity of Russian society—not only economic, social, and political, but also foreign political, moral, socio-psychological, ecological, demographic, and other spheres.

Today Russia faces a vitally decisive choice and this choice has three clear alternatives.

First, the further collapse of production, Russia's transformation into a raw-material appendage of developed countries, the anti-natural disintegration of the historically formed geopolitical space (that is, the space of the former USSR), and the country's breakup as an integral state—not only the loss of the role of a great power, but also of statehood as such.

Second, the capture (peaceful or not peaceful, owing to the people's dissatisfaction with the existing situation) of state power by "leftist" or "rightist" extremists and the establishment of a totalitarian regime of the fascist type. Or another variant of the same alternative—the suppression of the opposition by force and the establishment of a dictatorship.

Third, the strengthening of statehood on the basis of civilized democracy, which recognizes the supremacy of law unconditionally.

Of course, sensible people follow the third alternative. In practice, however, the situation is much more complex.

Ways of Recovering From the Crisis

The establishment of national and social accord is the most important condition for Russia's recovery from the system crisis. For this a number of problems must be solved.

First, the problem of Russia's territorial integrity and unity must be solved. In this case it is a matter of the hierarchy of priorities in the transition to national and social accord. Thus, the following are vitally important problems requiring an immediate resolution (accord): the problem of the common border of CIS countries (their joint protection); the problem of rejection of separatism and recognition of Russia's indivisibility by all parties and social movements; the problem of the establishment of equality of various economic sectors.

Second, a clear concept of Russia's reforming must be developed. Without an answer to the questions as to what society is being built in Russia, by what means, and in whose interests it is impossible to count on people's support. The proposed alternative—"primitive capitalism" or "dogmatized socialism"—does not answer the command of the time. A new type of socio-economic mechanism, that is, a post-industrial socialized society, in other words, a society based on the economy of "market socialism," has emerged under present conditions.

We face four main questions concerning the spheres in which the optimum ratio for modern Russia is:

—spheres of state regulation of the economy and of market self-regulation?

—spheres of federative centralism and authoritative powers of the Federation's components?

—spheres of the functions of branches of power?

—spheres of competence and responsibility of central, regional, and local bodies of power and self-administration?

Third, a clear legal regulation of the transition to the market is needed. The lack of legal support for reforms has led to a legal chaos and, as a consequence, to the plunder of state property, corruption, establishment of state mafioso structures, and so forth.

Fourth, the method of reforming must conform to objective requirements of modern science. This implies the adoption of a system reforming model. Beginning the implementation of any reform, it is necessary to calculate with mathematical precision its consequences or price.

The following conditions are no less important for Russia's real reforming:

The unity of democracy and science. Without science there can be no democracy and without democracy there can be no radical reforming. Any program, no matter how attractive it may seem, not being scientifically substantiated, ultimately, is another utopia or a social myth. Therefore, as a result, it can have such destructive consequences, which no one even has assumed. Force is needed to continue the realization of such a program. Then reason and science are replaced by tanks.

An adequate understanding of democracy. Democracy is not only the rule of the crowd, of slogans, and of appeals, but also the rule of law.

The recognition of the primacy of law over the state. Neither the state nor the president grants a wide range of rights to citizens. Conversely, the system of law adopted and sanctioned by the people affords the opportunity to use both the state and other power structures as bodies of power of the people. The people, not the state, are the source of law. Man is not only the object, but primarily the subject, of law. Personal rights are the supreme value of modern society. Undoubtedly, means dooming man to a lack of rights, degradation, humiliation, destruction, and so forth are reactionary.

The purposeful formation of a social structure and the establishment and preservation of the "middle class"—the class of the absolute majority.

The country's rebureaucratization. The administrative command economy is destroyed and, instead, the country gets the "bureaucratic revenge of the administrative state apparatus, which threw off the party bridle."

The demythologization of social consciousness. This is the rejection of dogmatism, ideologization, and social utopias and the transition to responsible and independent scientific thinking.

The creation of conditions for the manifestation of individuality of the person. Disindividualization of the person is the most difficult legacy of the past. Individuality of the person is society's greatest wealth.

Thus, the former not liberal course of reforms did not prove its worth. It was impossible to raise the country through the curtailment of state structures. The concept of opposition of society and the state and of economy and state policy, which was inherited from Adam Smith and the Chicago school, proved to be deeply erroneous. A "certain decision—to move toward the past," which is absolutely hopeless, moreover, disastrous for Russia, was the fatal consequence of the realization of this concept.

An analysis of the "old course" and of the "new course" of reforms makes it possible to make certain social forecasts.

If the "old course" of reforms prevails, Russia's disaster will be inevitable. This signifies the final breakup of Russian statehood, the country's transformation into the raw-material appendage of developed countries, the intensification, if not complete rule, of methods of governing the Russian people by force, and the transition to totalitarianism.

The new course of reforms can get Russia out of the system crisis, but it requires a serious correction on the basis of the latest achievements of modern science and a system approach to Russia's reforming. If the above-mentioned correction is not made, the destructive processes in Russia will continue and its future will remain unpredictable.

Long-Term Development Outlines of the Strategy of the New Russian State

As the social expert examination of the "new course" of reforming shows, Russia needs an integral system of society's consolidation and the strengthening of statehood. Such a system should counteract the destructive concept of Russia's "entry" into world civilization. Apparently, the complex process of counteraction will begin from the birth of the strategy of the new Russian state.

The years preceding the time of troubles were aimed rather at the country's collapse, not creation. From a state of stagnation the economy changed over to a state of serious sickness and present hopelessness. Heretofore existing primitive ideas of the opposition concerning economic reform reduce it to some, more or less complex, technical task, which can be accomplished by means of successfully found means and methods. At the same time, it is completely forgotten that miscalculations in the course of economic reform brought about by the noncoincidence of the liberal economic theory with Russian reality point not only to an economic crisis, but also to a crisis of the way of life and of the ideological crisis.

Existing political parties and social movements proceed from the most different political aims. Each of them offers its prescription for saving Russia. At times mutually exclusive provisions (internationalism-extreme nationalism, power of the people-autocracy, communism-anti-communism, and so forth) are encountered in their program documents. It would seem that with all the dissent, being even on the opposite sides of the political spectrum of positions, all these numerous parties and social movements should have acted as irreconcilable opponents. Usually, however, it does not come to this point, which is due to the need for unification at such a stage in party activity as the fight for power. The attempt to put up a "single" candidate for elections operates here. Strange as this may seem, the fight for power results in a positive effect.

The dynamic balance that appeared in political views was expressed in several unifying symbols, which began to be widely used in the ranks of the opposition irrespective of party affiliation. It is a matter of such concepts as "patriotism," "sovereignty," "spiritual revival," and "ensuring the well-being of all Russian citizens." The patriotic phraseology is beginning to be actively used by leaders of the most different political parties. For the present conditions of universal stagnation of social life this is a movement factor, which gives impetus to the birth of an all-Russian idea. It can be briefly stated as an emerging unity of three basic principles:

—superiority of the spiritual over the material; superiority of normal (sensible) financial prosperity over wealth;

—superiority of good over evil. This formula reflects Russians' need for high spirituality, their need for a rich spiritual world, and their unselfishness and keen sense of social justice. Being obviously orthodox, this idea, however, is not of a national nature. It is much broader. It contains the quality and way of life of almost all nationalities populating Russia. Undoubtedly, the superiority of the spiritual principle was, is, and will be their supreme moral law.

In practice, the choice of this all-Russian idea as one of those determining the strategy of Russia's development signifies that in the government's new economic program it is necessary to guarantee state support for basic science, culture, and education. Furthermore, it is necessary to create conditions for people so that they may have a decent income and to ensure the strengthening of law and order and a decline in the crime level.

Against the background of the all-Russian unifying idea and the formation on its basis of the strategy of development of Russian statehood two basic tendencies are clearly discerned in political structures. On the one hand, the desire to preserve and strengthen one's independence and political weight and, on the other, the realization of the vital need for a union and solidarity with more or less allied associations for the purpose of increasing the general potential in the fight for power.

New Triad and the Russian Form of Transition to Post-Industrial Society (Post-Civilization)

The particular feature of the present era lies in the fact that now a change of power for the sake of power itself is no longer conceivable. The accession to power by any elective political structure must be accompanied by the preservation and increase of accumulated Russian values.

Whatever the criticism, to which, for example, the triad of ideas "autocracy-orthodoxy-nationality" known from Russia's history was subjected, it nevertheless played a positive role in our country and strengthened its might at one time. Apparently, even now, under new historical conditions, it is necessary to search for a modern triad of ideas, which would be taken as the basis for the construction of Russian statehood.

There is reason to believe that such a triad of ideas has been found. It is "spirituality-power of the people-sovereignty."

Spirituality includes, first, moral principles of social life (primacy of good over evil, tolerance of differently minded people, revaluation of laws and norms from the positions of the interests of an individual person, and morality of means in reaching goals); second, philosophical substantiation of the priority of the spiritual over the material; third, inclusion of science in the expert examination of the application of laws and edicts; fourth, unity of a moral and an esthetic attitude toward reality.

Power of the people requires from the state service to the people and their interests. It rules out using the people as the instrument and means of the state (the state guarantees the observance of laws at all levels and violation of law outlaws the authority).

The sovereignty of Russia as a vast economic and geographic space, which unites numerous nations in its territory, presupposes common borders, common communication systems, common power supply, and so forth; preservation of historical traditions; full equality of all nations and ethnic groups and so forth.

Our scientific and civic duty is to promote Russia's further all-around reforming. The variant of the possible change in the course of reforms was recorded in the report "Social and Socio-Political Situation in Russia: Analysis and Forecasts" prepared by the Institute of Socio-Political Research of the Russian Academy of Sciences. In accordance with our scenario it proposes the following: "The Government and the President of the Russian Federation reject the policy of 'shock therapy,' its implementation is considered erroneous in many respects, and radical forces depart from power. Official rightist radical ideology gives way to a more moderate one, of the social-democratic type. The president fruitfully cooperates with the parliament, trying to be above party biases. The socio-political situation will acquire signs of stability. Authoritarianism is transformed into a form of democracy. The social base for reforms will be strengthened and a real and potential 'middle class' will form its basis. A nucleus of advocates of the new course of reforms is being created in society. It, jointly with the government, is solving the complex problem of finding the way between the two main dangers—hyperinflation and mass unemployment. Under these conditions there should be a change of priorities in the strategy of reforms. The social sphere should become one of the main guidelines and criteria in reformers' efforts. An underestimate of the strategic importance of the social sphere of society's vital activity as the totality of social relations and conditions, which are manifested in the needs, interests, value orientations, and aims of social groups, strata, and classes and, ultimately, determine the direction and nature of the population's conduct and activity, is fraught with the danger of a complete loss of RF citizens' confidence in the very idea of reforms."

The first part of our scenario has begun to be realized. The second still remains undecided. The pull toward "economic determinism" and toward "non-Bolshevik" methods of reforming by force still retains its force.

Finally, the chief thing. According to the well-known humanist thesis, the well-being of those over whom the ruler rules, not his advantage, should be the goal of state rule. Unfortunately, during the period of reforming of Russia and of the former USSR this thesis was consigned to oblivion.

[Box, p 15]

"Realists" Club

A new public organization—the political "Realists" Club—was established in Russia on 14 March 1994.

Yuriy Vladimirovich Petrov, chairman of the State Investment Corporation, was elected president of the club.

The founders of this club include deputies of the Federal Assembly of the Russian Federation, managers of administrations of Russia's regions, leaders of socio-political organizations, entrepreneurs, and figures in science and culture.

The following are among club members:

—managers and heads of administrations of the Federation's components (A. Belyasov, V. Yelagin, V. Likhachev, Yu. Spiridonov, V. Stepanov, Ye. Stroyev, and N. Fedorov);

—leaders of political and public formations (L. Vartazarova, A. Vladislavlev, S. Glazyev, N. Gonchar, A. Denisov, Ye. Lakhova, V. Lukin, Ye. Panina, A. Chilingarov, and M. Shmakov);

—representatives of business circles (K. Benduyundze, N. Bekh, V. Buksato, A. Yermishin, V. Neverov, and G. Semigin);

—academician G. Osipov, film director A. Mikhalkov-Konchalovskiy, screenwriter V. Merezhko, E. Sagalayev, president of the Independent Broadcasting Corporation, and others. According to its program aims, the club can be classified with organizations of the leftist-centrist trend.

An agreement that different points of view on the questions and problems under discussion should not overshadow the main task in the activity of any political organization, that is, the attempt to find the most realistic ways of improving Russians' life, was reached in the statement adopted at the first club meeting.

The charter of the "Realists" Club determined the following directions in activity:

—to strive for constructive cooperation among all parties and political movements, which share the ideas of civic peace and accord;

—to promote democratic reforms in Russia, the affirmation of citizens' rights and freedoms, the strengthening of legality and law and order in the country, and an effective and tough fight against corruption;

—to foster positive socio-economic transformations in the country and the spiritual and moral development of man and society;

—to participate in the development of the strategy and tactics of socio-economic transformations and in the formation of public opinion.

The following are the basic forms and methods of the club's work:

—meetings of the club and its sections and the organization of conferences, seminars, "roundtables," and so forth;

—preparation of analytic materials and proposals;

—discussion of draft decisions of legislative and executive federal bodies and preparation of appropriate recommendations;

—constant dialogue with parties, political movements, and public associations;

—cooperation with international nongovernmental organizations.

CLUB MEMBERS ARE READY TO HEAR THE OPINION OF ANY RUSSIAN CITIZEN, WHICH WILL CONTRIBUTE TO AN IMPROVEMENT IN DOMESTIC AND FOREIGN POLICY AND TO RUSSIA'S ECONOMIC FLOURISHING, AT ONE OF THEIR MEETINGS, OR AT "ROUNDTABLE" MEETINGS."

*Former Sakhalin Governor on Prospects for Economy

954E0618A Moscow RABOCHAYA TRIBUNA in Russian 1 Mar 95 pp 1,2

[Interview with Valentin Fedorov, vice president of Russian Union of Industrialists and Entrepreneurs and former governor of Sakhalin, by Yuriy Makartsev; place and date not given: "Food. A Home. An Automobile: Our Doctrine"]

[FBIS Translated Text] **We have been very successful at establishing the reasons for and concrete manifestations of the economic crisis that has befallen Russia, but how are we to halt the decline in production and return immunity to the devastated economy provoked by market circumstances? How are we to encourage people, who have lost faith in their ability to make a decent living? What roles must the state and the private sector take on at the revival stage? Today, Professor Valentin Petrovich Fedorov, vice president of the Russian Union of Industrialists and Entrepreneurs (RUIE) and former governor of Sakhalin, familiarizes RABOCHAYA TRIBUNA's readers with a new doctrine.**

The Russian Intelligentsia's Time-Honored Question: "What Is to Be Done?"

[Makartsev] Valentin Petrovich, in the latest issue of VOPROSY EKONOMIKI, No. 2, there is an article entitled "A Way out of the Impasse: Our Proposals," written by you and Professor Tsygichko. We learn from the article that the RUIE is now seriously involved in working out a doctrine to revive Russia's economy. What is its main point?

[Fedorov] We are suggesting that the government change course, not just to bring in more ideas or to continue the monetarist course, which has discredited itself, but to fundamentally change its very approach to the Russian economy.

[Makartsev] You should probably qualify that there can be no question of returning to the past. After all, Gaydar, Chubays, and the other monetarists who imagine themselves the foremost market-innovators of the twentieth century would sic all the dogs on you.

[Fedorov] Yes, I do qualify it: the administrative command system of economic administration . . . may its memory live forever. We do not accept, however, the total disorientation of our government either. The government prefers to follow events. The economy is falling apart and so is the country. The state order is being destroyed. With this, Lenin's "study, study, study" comes out like "wait, wait, wait." The situation in Russia is worse than in the United States during the Great Depression of 1929, and the decline in production is greater than in the Soviet Union after the war. The monetarists have a bolshevist method: drive the country with a whip, like a horse, even if it perishes.

[Makartsev] Valentin Petrovich, but Gaydar is so wonderfully clever. He is also dissatisfied with the economic course being followed now, as if it were not his own.

[Fedorov] Yes, before the elections Gaydar is creating an alibi for himself, and he too has joined in on criticizing the government.

[Makartsev] God be with him, Valentin Petrovich! Everyone is sick of the self-confident Gaydar. So, we have the time-honored question of the Russian intelligentsia: "What is to be done?"

[Fedorov] We are proposing rejecting the monetarist approach and switching to a new investment course.

Everyone Knows There Is No Money, but Industrialists Know Where to Find It

[Makartsev] Valentin Petrovich, the Russian intelligentsia has sort of a favorite question: where do we begin?

[Fedorov] Above all, we would attempt to stop the violence to economic laws and introduce those market mechanisms that will make the economy immune to senseless destruction. Unlike the monetarists who provoked the chaos—the psychology of the quick buck and the morality of croneyism—we are proposing to take the reins and govern following the investment course.

[Makartsev] Investment course—that screams of big money—but money is like talent: either you have it or you don't.

[Fedorov] We have it, but let me make one comment: There are plenty of economically smart people in Russia; many specialists have studied business, management, and administration under market conditions. Take a look, though, at economic practice: enterprises are being administrated as if this were the Stone Age. The basic things are forgotten by each enterprise in its own way.

Take amortization allotments for example. Schoolchildren know that the purpose of amortization is to replace worn out equipment, but what do we see? Amortization exists formally, in accountant's books, but the money is really used for salaries and working capital. Not only are our tools, machines, and other equipment aging, we have no chance to replace them because the money is being spent on everything but technology. To put it in peasant language: this is the destruction of the seed fund. Obkom secretaries used to act like this on the QT; nowadays the destruction of the country's technological and technical potential is a perfectly legal practice.

[Makartsev] What medicine would you prescribe for the anarchy?

[Fedorov] Amortization sources must be restored immediately at 100 percent. That is the first item in investing in the Russian economy.

[Makartsev] I want to remind you, Valentin Petrovich, that many enterprises today are not state property, and the government cannot tell them what to do.

[Fedorov] I will cite an example from the West. I spent six years in Bonn studying the principles of operation of the West German economy. There, general demands exist on producers. If someone opens his store on a closing day when all trade is suspended, he is forced to pay a fine. It would never occur to anyone there to spend amortization money on anything else. A boss like that would be tarnished; everyone would despise him. It would be suicide.

According to statistics, in many of our branches, only 50-60 percent of amortization fund money is being used for its intended purpose, and in some branches that figure is 20-40 percent. You can kind of understand the directors' decision: people go for months without pay. But who led the directors to this kind of life? the government; the monetarists.

[Makartsev] You've convinced me. Go on.

[Fedorov] The second source of economic investments is profit. Where is it going? It is concentrated in "a few hands," and instead of being invested in expanding production, profit is being taken out of the sphere of productive activity and shifted to the sphere of the banks, the sphere of trade. That is common for new enterprise owners. Rich men. Nouveau riche. Money from the productive sphere is going into the nonproductive sphere. The latter, of course, also varies—medicine, education, culture—but these funds are shunted into speculative forms of capital accumulation and transferred abroad.

[Makartsev] Which is where, on the heels of their capital, the rich men and their families often scurry. Now, dear maid, you and I shall hurry across the border.

[Fedorov] Due to poor management, even the profit that is still concentrated in production—there are, of course, such examples—is not being settled on the enterprises by the government. It is going into the nonproductive sphere and some of it makes its way abroad.

This is humiliating. We are turning into a weakly developed country—into a Nigeria or an Upper Volta—and Gaydar says in 1994 we became a more civilized country because the proportion of services exceeded 50 percent in the overall structure of the economy. Is he lying or does he not understand what he's talking about? After all, production has slipped and the parasitic sphere has swollen. There are more stands selling foreign goods, more foreign currency exchange offices, more bodyguards, and more speculators on the street.

[Makartsev] In the final analysis, production cannot develop without credits. Apparently, though, credit money here also turns its nose up at enterprises.

[Fedorov] If we are building a market society, then we cannot live without credits. For serious capital investments into the economy, however long-term credit is even more essential. Imagine, if you analyze the structure of the credit mass as a whole, a total of 3 percent of funds are going into long-term credit, without which you cannot build a creamery or a brick plant. Ask foreigners what they pay for credit and they will say 5, 7, 10 percent. We pay 180, 200, 210 percent.

What is the government achieving with this kind of credit? It is destroying production because only trade can withstand that kind of high interest rate credit. Production cannot withstand this because the production cycle stretches out over many months. Directors come and cry: I still haven't done anything; I haven't built the workshop, and I already owe the state billions. Live with the wolves and you'll howl like a wolf. Enterprises are shutting down production and also getting into trade.

[Makartsev] Your verdict?

[Fedorov] The government has to intervene into production and the economy immediately. It has to halt this negative trend. It has to encourage those who are concerned about the growth of production. Is the government doing this? It says: let's wait until private capital is created. That capital, they say, will start being invested in production. It is already clear that today development has taken off in an unexpected direction. This is true even for those very same monetarists. The fact that they don't want to admit that can be ascribed to their second crime against our people. The first is that they allowed ruin to befall the economy.

A New Era Figure: The State Entrepreneur

[Makartsev] Valentin Petrovich, explain what you mean when you talk about unexpected development.

[Fedorov] Today, enormous and powerful private companies have been created, but they are not going into production. They are going into trade and banking, and for their personal insurance, they are sending money abroad. If we keep on sitting with our hands folded, then the drain of Russian capital from the country, from production to the speculative sphere, will become irrevocable. Private capital's allergy to production is not its fault; rather it is its misfortune. I am in favor of private capital. I am in favor of a market economy with mixed forms of property, including, as throughout the world, private, joint-stock, and state.

What is happening today is that the government is waiting for they don't know what, private capital is not going into production, and the state is growing poorer. At the same time the country's helmsmen are not paying attention. Why are you in a panic? How many years have we been falling? What's that? You can fall from the 11th floor. I have another way of putting it: the river is getting shallow. The river is Russia.

We are getting poorer and poorer, worse and worse off. We are dropping to the level of the developing countries, and that is why we in the RUIE are prepared to mobilize the power of the state in order to begin the process of investments for the purpose of economic resurgence. We are not calling for a nationalization of the economy—God forbid! We are not insisting on a cessation of privatization. We are saying: right now the state is holding onto the levers it let go.

There are state enterprises—plenty of them. There are partial state enterprises. There is a credit policy and a monetary policy as well as an amortization policy. Please, put these mechanisms in motion in order to get the economy moving and boiling. It may get state enterprises moving forward and then private capital will follow state capital's lead, but to wait for "something" is stupid. There is no time. We have become donors and are suffering as a result. We are giving out in undistinguished fashion and passing out the state's life force right and left.

[Makartsev] Valentin Petrovich, all the economics books say that if you throw masses of money into an economy there will be inflation. Isn't that why people are not paid for months, because directors are afraid of spoiling the picture of the country's "inflationary well-being" with money which in turn causes the West to react?

[Fedorov] We are not waging the battle against inflation properly. The monetarists do not understand the nature of inflation. It is a multi-faceted phenomenon, although it all comes down to the quantity of money in circulation. Today there isn't enough money, and nonpayments have paralyzed the economy. Neither the enterprises nor the population has any money; this is good, according to the government. In this way Russia is being killed off. If you look at the statistics, even given the large influx of refugees from CIS countries, Russia's population is degenerating.

We are certain that when we start conducting a normal investment policy, inflation will not increase. It will be transformed from negative to positive. I am ready to bet any of my diplomas against the monetarists: they will never conquer inflation given falling production. Today's leaders only know two ways to run the economy: raise prices and raise taxes. That is absurd! When we merely ensure a rise in production we can bring down inflation more reliably and powerfully than by manipulating the money mass.

[Makartsev] Two levers. . . . Directors want to start a third—bankruptcy.

[Fedorov] Then there will be a general uprising. It is enough to make you cry, but they are doing everything backwards. The way to encourage people is not with bankruptcy but by creating new enterprises—new ones—so that ineffective enterprises die out on their own through competition.

In the United States there are 15 markets and market agents, and in Russia there are only two. We are catastrophically lacking in the enterprises necessary for creating a competitive environment. Massive bankruptcies will lead the country to even greater monopolization. I am not even talking about the fact that the gravest social problems will arise: What are we going to do with the millions of unemployed from the so-called mono-cities, where one major enterprise usually feeds the entire city?

Suppose that tomorrow we wake up and see that everything has been privatized. Chubays must either be rewarded or put in jail; let others sort that out. We will. Will the situation be better? No. The private trader is a worse monopolist than the state. I think we need to carry out privatization and simultaneously create new enterprises. That is the only way to achieve economic stability. Today, when the number of market subjects is being curtailed, we are simply sliding back. The number of private farmers is being curtailed. The number of small operations is being curtailed. That is what is frightening. Even the giants like ZIL that have ended up in private hands will not survive. There is no competitive environment.

[Makartsev] Valentin Petrovich, in VOPROSY EKONOMIKI, which is addressed to specialists, you write that in the last 10 years of perestroyka, the economy has gone through three stages: the perestroyka stage itself, the voucher stage, and the monetary-auction stage. You also say that you tie the last hope for the revival of production to a fourth—investment—stage, or the state capitalist stage. For this, in your opinion, it is essential to return to such levers of economic regulation as state discipline and administrative, material, and criminal accountability.

[Fedorov] Yes. We feel that state capital should be given a green light and should be made a full-fledged market subject and throw itself into investing in the economy. According to our assessments, a minimum of R400 trillion in today's prices needs to be invested in industry for these purposes. Then the proportion of new technology in fixed capital will be approximately 50 percent, which will mean the conclusion of the next cycle of qualitative renewal of the means of labor within acceptable time limits.

We feel that state capitalism in its formation and development should not be oriented toward the support of only effective productions and enterprises, of so-called growth points, and the liquidation of lagging subbranches. It also faces state-wide tasks whose implementation is not always connected with profits. The main thing is the creation of a competitive environment and conditions for the growth of the economy. Having given impetus to production, with time state capital will be able to move on either wholly or in part, having sold its share of property to private entrepreneurs. I repeat, however, this will require immediately starting in on the new, fourth stage of economic transformations—the investment stage.

[Makartsev] It seems as if a new figure will show up in your doctrine: the state entrepreneur.

[Fedorov] Some of the prerequisites for the appearance of such a figure have already been created. In particular, the RF presidential edict "On Certain Measures to Ensure the State Administration of the Economy" of 10 June 1994 talks about introducing the institution of state representation in joint-stock companies. There are also other standards on this topic. I would call them timid for they consider the directors of state enterprises and state representatives in joint-stock companies merely as state employees or hired workers for the state .

How do we ourselves see the figure of the state entrepreneur? The state equips him with capital and gives him the right to work out concrete areas of scientific-technical and investment policy. The state entrepreneur determines the structure, assortment, and cost of output. He takes risks. He builds his own relations with the private trader, receives his share of the profit, and strictly pays taxes to the state, requiring this of his business partners as well.

What Russian Doesn't Dream of Taking His Family to the Dacha on Days Off to Enjoy a Holiday for the Soul?

[Makartsev] Valentin Petrovich, although many of their promises remained on paper, the Communists gave people free apartments and dreamed of providing everyone with housing by the year 2000. Our reformers are not even promising anything good to the common people. Millions of people, for the lack of millions of rubles in their pocket, will stay in their communal apartments for life. In order to earn their living, old Muscovite women are buying and selling rolls outside metro stations in the evenings. Tell me, in your economic doctrine, is the human being present at all?

[Fedorov] On the eve of the 21st century, the Russian people must throw off their historic curse and start to live and work for themselves. Take a look. The food shortage we had during the years of stagnation has been replaced today by a hidden shortage. There would seem to be a lot of food in the stores, but many people go there as if it were an exhibit: they don't have the money to buy food. Our government is living with its hand held out and keeps hoping for foreign credits. How can V. Chernomyrdin sleep peacefully when the entire income portion of the budget is built on two whales: loans and bonds. The government is planning to issue bonds and force enterprises to buy them in compulsory fashion.

We are so rich and clever that we can allow ourselves more than all the other peoples on our planet. We can provide every citizen with an automobile and fuel; we can build a separate comfortable house for every family; we can dress, supply shoes, and feed ourselves and buy everything in the world; we can rest from our righteous labors in our own unique nature and at the best resorts abroad; and we can ensure undisturbed security from all foreign enemies.

We can do a lot, but we must decisively take our wealth in hand and use it cleverly. This will require a clear and precise program of creation for the country as a whole. This is what our intentions, our efforts to work out specific practical steps for the new state of Russia in the name of its prosperity, are aimed at.

[Makartsev] Perhaps, Valentin Petrovich, your doctrine is with an eye to the elections so that the voters will like you? In past elections, people have had their fill of all kinds of fairy tales, and they've suffered as a result.

[Fedorov] Yes, we are going to participate in the elections quite actively. We are not, however, using our scientific knowledge to deceive the trusting Russian people as many other figures have done.

I will note that our doctrine was created not for the sake of its authors' ambitions, not for the sake of fashion, and not in order to look as good as others. After all, every party and every leader has a specific set of phrases and slogans. At the center of our thoughts stands the individual, and that is something no one else has. Food, an automobile, and a house—these are the absolute priorities of our policy. God loves a trinity. God is behind us; God is for us. Our trinity will help every individual and every family and will help all of Russia.

*Finance Ministry Official on Short-Term Obligations

954E0711A Moscow DELOVOY MIR in Russian 7 Mar 95 p 3

[Article by Olga Samarina, DELOVOY MIR: "State Treasury Bills: A Serious and Long-Term Undertaking, Even If It Seems Impractical to Some"]

[FBIS Translated Text] **The addition of a new financial instrument (state treasury bills) to the array of state securities by the Russian Federation Ministry of Finance has already proved to be useful and reliable, although it seemed harmful and impractical to some. This was announced on 28 February by RF Deputy Minister of Finance Andrey Kazmin at a meeting with representatives of banks, enterprises, organizations, and institutions working with the state treasury bills. The evidence of this, the deputy minister stressed, can be seen in the results of the work with the bills in the stock market last year. In all, state treasury bills were issued for R7 trillion, and payments in the amount of R3 trillion were made strictly according to schedule. More than 60 percent of the amount repaid was credited to federal budget tax accounts. According to Mr. Kazmin, there is no question that this will have a positive effect on fiscal discipline and the very process of budget execution. He also cited other figures attesting to the effectiveness of the Ministry of Finance instruments. The Ministry of Finance was able to increase the volume of state borrowing on six-month bonds to 24 percent and one-year bonds to around 1 percent of all the state treasury obligations floated last year, although the primary objective at that time was the issuance of state treasury bills with a maturation period of 120 days, which represented three-fourths of the total amount issued.**

In reference to the present and future prospects of the state treasury bills, the speaker said that the improvement of the structure of state borrowing is still of fundamental importance to the RF Ministry of Finance along with government program goals (the reduction of inflation). The improvement is to be accomplished by adding financial instruments with a longer maturation period—and also with a reasonable yield, of course, to secure their appeal to investors—to the securities market. Ministry of Finance officials believe that a longer maturation period will have a stabilizing effect on the inflationary situation in the country and on the development of the stock market, because state securities are an integral part of this market, particularly in view of the ability of the Ministry of Finance's treasury bills to keep physical rubles from ending up in the money market because they are intended to cover tax payments to the state budget and to fund the transactions of sectoral enterprises. This is one of the important factors contributing to their active circulation and arousing the interest of banks, ministries, and enterprises.

The amount of available funds the government and the Ministry of Finance hope to get from the issuance of state treasury bills in 1995 is quite small—R4 trillion—in comparison to total requirements (the budget deficit). This is just over 5 percent of the deficit. What is the reason for this modest objective as far as the fiscal interests of the state are concerned? As Mr. Kazmin said, while we are making use of this new financial instrument and floating the bills in the stock market, we must always bear the structure of the state debt in mind and adhere strictly to the limits on domestic state borrowing in the state budget for 1995. The Ministry of Finance, the deputy minister stressed, and the government have no intention of using the mechanism of treasury bills for the artificial augmentation of volume in the securities market, to avoid even the slightest pretext for destabilization and imbalances. That is why the personnel of the ministry's treasury and securities departments are keeping a close watch on all processes connected with the issuance of the state treasury bills. The figure of R4 trillion, Mr. Kazmin said, is a realistic limit. It will not hurt the stock market and will not provoke any discussion of the inflationary effects of these securities on the overall economic climate in the country.

There is nothing new in principle about the idea of issuing state treasury bills. It is a sadly neglected old tradition. The bills have their counterparts in virtually all the budget systems of the economically developed countries of the world. There is also the national experience of the early 1920's, when the Russian Federation People's Commissariat of Finance used issues of state bonds extensively. According to specific and general parameters of issuance, circulation, and repayment, they were similar to the new Russian treasury bills. It was precisely this national experience that the Ministry of Finance used as a guide. Obviously, there are major differences in form and content today, but there nevertheless were analogues in our country, and not that long ago.

The deputy minister said, however, that today's Ministry of Finance securities were greeted with hostility at first. Some analysts questioned the possibility of paying the income on these bills in the press and in private. They addressed their concerns to the Ministry of Finance in frank and direct terms. The response to them could have been somewhat confusing or emotional. As Mr. Kazmin pointed out, it is better to respond to them on the professional level. The experience of last year, when payments of R3 trillion were made on the bills, speaks for itself. The questions, on the other hand, were not evoked by economic and financial considerations, according to Andrey Kazmin, but by current political developments in the country. The establishment of a strict limit on bond issues will allow the treasury to keep making the scheduled payments on the treasury bills.

When the Ministry of Finance embarked on the treasury bill program, the speaker said, it did not simply want to add a new financial instrument to the stock market, but also to test new alternative methods of floating loans. Instead of relying on the established infrastructure of the state short-term bond market, it wanted to set up another market with its own infrastructure. Many different plans were rejected for various reasons, and preference was ultimately assigned to depositary pluralism. From the very beginning, nine authorized banks were involved in the work with the state treasury bills as soon as they had expressed a wish to take part in what they perceived as an experiment. According to the deputy minister and other speakers at the meeting, however, experience has shown that this is a serious and long-term undertaking.

It is not surprising that the bankers took a cautious and restrained stance at first. In principle, Andrey Kazmin said, this is understandable, because bankers avoid risks and do not rush headlong into the unknown. The first to sign contracts with the Ministry of Finance on the state treasury bills, however, were instrumental in the creation of this new financial mechanism. The joint efforts are the reason that this mechanism began to work so quickly. The market for state treasury bills began to take off, and the yield on the bills, if they were handled with care, was at least as high as the yield on state short-term bonds, and this aroused the interest of many commercial banks. Now the main group serving the Ministry of Finance securities includes 17 authorized banks audited by the Banking Oversight Department of the Russian Central Bank and approved by the government's Commission on Financial and Monetary Policy. Another 15 banks, which were also audited by Central Bank examiners and approved by the commission, are on the reserve list for 1995. There were around three times as many applications for contracts with the Ministry of Finance. As Andrey Kazmin pointed out, their services will be employed as soon as the number of authorized banks required in 1995 has been determined. This number will be known after the state budget for the current year has been approved and the specific amounts of money to be distributed among sectoral ministries have been decided.

At the meeting the RF deputy minister of finance also discussed some problems connected with the issuance of state treasury bills, which his agency will have to solve in the current fiscal year. The main one is the establishment of a single depositary. So-called depositary pluralism, presupposing a single set of standard requirements, created problems for the Ministry of Finance. There is a general lack of coordination, in spite of the single set of standards the ministry set for depositaries and for the work with the state treasury bills in general. Each bank uses its own method of keeping books, reporting balances, etc. There have been cases in which necessary information was concealed from the holder of the state treasury bills. Treasury personnel took vigorous measures, in the words of the deputy minister, to prevent these incidents. That is why the market for state treasury bills has to be as transparent as possible. This is one of the objectives for the current year. In the presence of continued depositary pluralism, the Ministry of Finance intends to achieve total unity in procedures for handling the treasury bills, which will transcend the sectoral boundaries of this market in the future, when this financial instrument becomes available to all investors, instead of just the sectoral or initial holders of the bills. The strict sectoral limits and other restrictions were necessary, in Mr. Kazmin's opinion, at first. Now they can be relaxed.

At the end of his speech the deputy minister focused attention on the analytical judgments that were so strident this year in some news media in connection with the circulation of the state treasury bills in the stock market. The basic conclusion of the authors of these articles, he said, was that the country had experienced a new surge of inflation at the end of last year and the beginning of this year precisely as a result of the appearance of this unfamiliar financial instrument in the securities market. Some of the analyses were accompanied by mathematical proof, based essentially on the assumption that as soon as the established number of endorsements (signatures of transfer on a security, bill of exchange, check, etc.) for the state treasury bills within the confines of a single branch had been reached, this would mean, according to the authors, that the instrument would be circulated at least five times. The formula of the speed of monetary circulation was then used as the basis for the "global" conclusion that the turnover speed of the state treasury bills was far in excess of the turnover speed of ordinary Russian rubles. This is precisely the reason that the issuance of state treasury bills played such a dirty trick on the government at the end of last year by causing double-digit inflation.

Without going into the mathematical details of these calculations, we can say that the authors of the analyses begin by equating securities, state treasury bills, and cash, which is absolutely wrong. Their liquidity, Andrey Kazmin pointed out, cannot be equated. These calculations completely ignore the fact that the state treasury bills are repaid mainly in the form of collected tax payments, and thereby reduce the amount of money required in circulation. They also ignore the offsetting of reciprocal debts in sectoral transactions and other factors. Furthermore, the presence of five illustrious signatures of transfer within a single sector does not mean that the state treasury bills will be turned over five times before the maturation date. All of this suggests that the authors of these analytical inquiries (into the inflationary component of this instrument) do not know enough about the very mechanism of treasury bill circulation and, in some cases, that they simply wish to prove that the Government of the Russian Federation is involved in risky experiments, so to speak, and will not be able to satisfy its commitments. Some people have a strong desire to provoke certain processes in the state securities market. Their motives are not part of our present discussion. We are concerned with reality and with actual events, and the best response to their theories and proposals can be found in the results of last year's issues of state treasury bills. We have every reason to believe, Mr. Kazmin said, that the Ministry of Finance is pursuing a sound and intelligent policy in the state securities market.

The general report by Mr. Kazmin, the deputy minister, was followed by a strictly professional discussion. Ministry of Finance department heads and financial and legal experts presented reports on questions connected with the legislative and procedural bases of the issuance and circulation of state treasury bills and the procedures for their repayment, taxation, and registration. DELOVOY MIR also hopes to address these issues in future editions.

*Relations With International Financial Organizations Defined

954E0712A Moscow KOMMERSANT-DAILY in Russian 4 Mar 95 p 2

[Article by Marat Salimov under the rubric "Ties With International Financial Organizations": "Commission Will Provide for Realization of the London Memorandum"]

[FBIS Translated Text] *There is the hope, after the conclusion of the visit of Viktor Chernomyrdin to London, that the Interagency Commission of Russia for Cooperation With International and Financial Organizations and the Group of Seven will begin its work. The statute on the commission that has been approved by the government, as well as its composition, allow us to hope for this. The primary task of the commission is to monitor the ties of federal and regional executive authorities with international financial organizations, and to select high-priority investment projects.*

The Interagency Commission of Russia for Cooperation With International and Financial Organizations and the Group of Seven was formed by order of Boris Yeltsin in May of 1994. Only on the threshold of the Russian prime minister's visit to London (nine months later), however, has the statute on its composition been approved. This same decree eliminated the governmental commission on cooperation with international financial organizations and technical assistance.

The commission, in accordance with the approved statute, is a permanent working body coordinating the interaction of federal executive authorities and regional bodies and agencies with the international financial and economic organizations and with the G7 countries.

What is considered to be the main task of the commission? First and foremost, the consideration of investment projects being financed using credit from international financial organizations in accordance with the priorities of Russian structural and regional policy. The commission is also entrusted with coordinating activity to implement the investment projects.

Gosinkor—the largest state investment corporation—will be cutting back its field of activity somewhat as a result. It has been striving since the moment the corporation was formed to become the leader in the realization of all of the more or less significant investment projects in Russia, and has already been able reach the corresponding agreements with the regions. Now, however, the legal foundation has appeared for the establishment of monitoring over its activity directly on the part of the interagency commission. This is also confirmed by the fact that the commission has the right to make decisions that are mandatory, after approval by the prime minister, for all of the bodies represented on the commission, as well as the enterprises and organizations operating in the sphere of authority of those bodies. This will pertain to all state structures. Joint-stock state enterprises where the controlling block of shares belongs to the state in particular could be limited in the free search for sources to attract foreign investors.

Such opportunities are also based on the fact that a considerable number of investment projects with the participation of foreign firms are accompanied by the credit participation of international financial organizations as well. The project at the Balakhninskiy Combine (Nizhniy Novgorod) for the production of newsprint could be cited as an example. Participating in it, aside from the German company HIT Beteiligungsgesellschaft mbH, which won an investment tender offer for $12.5 million and then purchased about 27 percent of the shares of stock from the workers, and First Boston Bank, which acquired 27 percent of the shares of stock at a voucher auction and is investing $6.5 million in production, is the International Financial Corporation (a member of the World Bank group), which purchased a 25-percent block of shares for $11 million.

Working groups, composed of representatives of the federal executive authorities participating in the work of the commission on a regular basis, will be created for the prompt resolution of questions that arise at the commission. The tasks of those groups will be interaction with the representatives of international financial organizations and the preparation of analytical and other materials that are submitted for the discussion of the commission.

The role of the Interagency Commission for Cooperation With International and Financial Organizations and the Group of Seven Countries is substantial from the standpoint of economic policy primarily because the "Policy Memorandum for Attracting Foreign Investment in the Russian Economy in 1995 and Subsequent Years" (which KOMMERSANT wrote about yesterday) that was signed in London by Viktor Chernomyrdin and the leaders of twenty large Western companies will be realized under the direct monitoring of the commission, which had been in a suspended state until recently.

[Begin box]

Composition of the Interagency Commission of Russia for Cooperation With International and Financial Organizations and the Group of Seven

—Anatoliy Chubays, first deputy chairman of the government (head of the commission);—Yevgeniy Yasin, Minister of Economics (deputy head of commission);—Andrey Vavilov, First Deputy Minister of Finance (deputy head of commission);—Georgiy Mamedov, Deputy Minister of Foreign Affairs (deputy head of commission);—Dmitriy Ryurikov, presidential assistant (deputy head of commission);—Mikhail Fradkov, First Deputy Minister of Foreign Economic Ties;—Tatyana Paramonova, acting Chairman of the Bank of Russia. [End box]

*Commentary on Decree Regulating Prices in 1995

954E0721B Moscow KOMMERSANT-DAILY in Russian 15 Mar 95 p 2

[Article by Vladislav Borodulin: "Some Promises Have Been Fulfilled. The Time of Others Has Arrived"]

[FBIS Translated Text] **The Russian Government has completed the "second price revolution" which was announced almost four months ago. One can talk about this now that the government's decree "On Measures To Put the State Regulation of Prices (Tariffs) in Order" has appeared. It prohibits any price regulation, with the exception of a rather limited list of goods, on Russia's territory. However, the fact that the federal government has travelled its part of the path does not at all mean that the regional authorities are enthusiastically supporting the center's innovation.**

The commitment to almost completely deregulate the pricing process in the domestic market was contained in the two latest (September 1994 and March 1995) memorandums on the government's economic policy. The issuance of the decree "On Measures To Put the State Regulation of Prices (Tariffs) in Order" means that the federal authorities have formally satisfied IMF requirements: Comprehensive lists of products, for which federal and local authorities will regulate prices, have been established. The decree essentially consists of three lists: The first one lists products whose prices the federal government regulates, the second one contains the products whose prices local authorities regulate, and the third one has the products whose prices local authorities may (but are not required to) regulate. Just a little earlier, decisions about limiting business licensing practices had been adopted, attempts were undertaken to simplify the procedure for registering entrepreneurial activities, and the conditions for exporting oil were liberalized.

KOMMERSANT followed the process of this document's development and adoption; that is why it is now possible to manage with only a brief summary of the forecasts that have already been made about the impact of the "second liberalization" of prices on the overall economic situation in the country. First of all, government experts, in particular, Anatoliy Chubays, call this document a revolutionary one and cite the following figures: Regulated prices now embrace approximately 24-25 percent of the GDP; after their deregulation, this indicator should be reduced almost 1.5-fold—to 16-17 percent. This will primarily be achieved through the "furloughing" of prices controlled by local administrations for food products. However, the members of the federal government in their public speeches put great stress on the problem of liberalizing prices for raw materials, especially the removal of all price restrictions on petroleum and petroleum products. According to their calculations, which were made during the fall of last year, the price for gasoline should have risen almost twofold during the year and reached an "equilibrium level." Of course, these forecasts will now be corrected—the issuing of the decree was delayed almost four months (it was initially assumed that prices would be freed on 20 November) but inflation at the end of last year and the beginning of this year was much higher than forecasted.

However, the legal conformity of the present document to the promises given to international financial organizations does not at all mean that it will be fully implemented. We are talking about the local authorities who, strictly speaking, determine the weather in regulating prices. Research, which is regularly conducted by the government's Center for the Economic Situation, shows that prices for almost all food products and a significant (almost one-fourth) portion of the products list of industrial goods are administratively regulated in the provinces. There are regional differences but they are immaterial. A survey conducted by KOMMERSANT showed that the new decision has supporters in the local areas; however, they have reduced the scale of price regulation to a minimum without any special decree. The overwhelming majority of the representatives of the local authorities decisively opposed the idea of depriving them of the right to control prices.

It is natural that under these conditions it was possible to expect from the federal government certain extraordinary measures to guarantee control over the "revolution in the local areas." However, neither in the president's edict, which was issued 1 March simultaneously with the government's decree, nor in the decree itself are such measures provided for. The government only limited itself to two "control" directives: "Do not use the state regulation of prices for goods" (with the exception of those mentioned in the list) and another one to the effect that local authorities in regions being subsidized (approximately two dozen), who wish to introduce price regulation for goods on the third list, are required to receive Moscow's approval for this. Moreover, the president's edict, which from the beginning possesses great legal force, generally concentrates on punishing enterprises that violate price discipline, and not the local administrations.

Thus, the center has no effective mechanisms that can force local authorities to carry out this decision. The example of limiting licensing activity in the local areas shows where this can lead (and most likely will lead)—no real changes have occurred since Boris Yeltsin signed the appropriate edict (December 1994). There is, however, an undoubtedly positive item in this insubordination (it is natural, nevertheless, during a year of parliamentary elections) by local authorities: There will be something for the federal government to promise in the next memorandums to the IMF. Evidently, the promise to force local administrations to implement this decision will occupy a place in the commitments to deregulate pricing policy.

[begin box]

Changes Introduced in the List of Products Whose Prices Will Be Regulated:

The amendments, which were introduced into the initial version of the government's decree (it was discussed during the middle of November of last year), turned out to be minimal, just as Anatoliy Chubays promised two weeks ago. The total number of positions was increased by five points—the regulation of prices for nuclear fuel products and for prosthetic orthopedic items and also the establishment of duties for passage on domestic waterways by vessels sailing under foreign flags was added to the competence of the federal government. However, according to the assertions of specialists in the Ministry of Economics, nuclear materials did not only fall into a misunderstanding in the document's first version.

The power of the local authorities to regulate prices was expanded by establishing tariffs on natural gas sold to the population and housing construction cooperatives and on liquefied gas sold to the population for household needs (except gas for refueling motor transport assets).

*KOMMERSANT has twice published the complete list of goods (services) to which the state regulation of prices is being extended—18 November 1994 and 2 March 1995. [end box]

*Development of Entrepreneurship in Northwest Region Debated

954E0744A Moscow KOMMERSANT-DAILY in Russian 18 Mar 95 p 2

[Article by Andrey Sinitsin: "St. Petersburg Began the Development of the 'Wild' Northwest"]

[FBIS Translated Text] The first meeting of the Coordinating Committee on the Development of Entrepreneurship in Russia's Northwest Region was held in St. Petersburg. Mayor Anatoliy Sobchak proposed that the gathered representatives of the region's 11 oblasts adopt a joint declaration on putting a moratorium on an increase in local taxes. However, a cautious "we will think about this later" was the answer of the Coordinating Committee to Sobchak's bold initiative. The participants in the meeting preferred to discuss prospects for the economic unification of the Russian Northwest, not the particular features of the tax policy of local authorities.

As far back as 1989 heads of administrations of the region's oblasts and republics founded the Association for Economic Interaction of Territories of the Russian Federation's Northwest—"Northwest." It included Arkhangelsk, Murmansk, Vologda, Kaliningrad, Novgorod, Pskov, Kirov, and Leningrad Oblasts, Karelia and Komi republics, and St. Petersburg. However, during almost five years its activity was virtually frozen—oblasts experiencing a general economic crisis tried to solve their problems independently, for example, striving to obtain individual privileges.

The activity of Northwest was revived only in December of last year, when the first regional conference of representatives of the Federation's northwest components was held. The fact that the conference was devoted to the support of small entrepreneurship was not accidental. This topic is almost the most popular in the dealings between the authorities (especially local) and business. The Coordinating Committee began its work in March of this year. The Coordinating Committee is the executive body of the Regional Conference and is accountable to it. Aleksey Kudrin, first deputy mayor of St. Petersburg, heads the committee.

At the first meeting the committee approved its organizational structure and examined three problems, the solution of which will become the priority task of regional authorities in the very near future. This is the establishment of a regional personnel center, development of leasing, and establishment of a single information-analytic center. It is planned to organize the northwest personnel center, in which "small entrepreneurs" will improve their skills, at the base of one of St. Petersburg's higher educational institutions. With regard to information support for entrepreneurs, the federal program for the support of small entrepreneurship of one year's standing has already provided for the establishment of a network of regional information-analytic centers as legal entities. They have already been or are now being established in 21 components of the Federation. The Coordinating Committee has already prepared the St. Petersburg concept of information support and has even managed to familiarize representatives of Northwest with it.

A department of the Russian Association for the Development of Small Entrepreneurship (it now includes about 70 regions) will be formed in St. Petersburg in April. As Aleksandr Donets, deputy chairman of the Coordinating Committee, said in an interview with a KOMMERSANT-DAILY correspondent, the association should become a body of pressure on government structures, on which financial and credit policy depends. In all probability, the Coordinating Committee will also engage primarily in lobbying activity. In any event, the function of the "preparation of proposals for Russia's Government on the financial, credit, and tax support of entrepreneurial projects socially significant for the Northwest Region" is encountered in its organizational documents not once and not twice.

In essence, the event held in St. Petersburg reflects only one, but ever more clearly formed, tendency: unification of the economic forces of the Russian northwest. Now, of course, the degree of integration of these 10 oblasts and St. Petersburg should not be overestimated. The refusal to adopt the absolutely innocent (from the point of view of prospects for realization) declaration on the imposition of a moratorium on a tax increase characterizes to the greatest extent the persisting caution in mutual relations with neighboring oblasts. The equally acute financial crisis in all areas forces local authorities to have a super-cautious attitude toward the idea of unification of tax rates: Only manipulations with them under conditions of the equally inefficient economy enable local authorities to affect the level of business activity. However, in case of a uniform tax regime, regions initially possessing a more developed infrastructure, that is, St. Petersburg and the oblast, will get priority.

[begin box]

Basic Directions in the Activity of the Coordinating Committee for 1995-1996:

—Development of proposals for the government and the parliament for the correction of existing and for the need to adopt additional normative-legal acts.

—Establishment of regular contacts with government structures responsible for the development of entrepreneurship in Russia and with nongovernment regional and international organizations and foundations.

—Preparation of proposals for the RF Government for the financial, credit, and tax support of entrepreneurial projects socially significant for the Northwest Region.

[end box]

Therefore, it is no accident that the city's organizational and intellectual leadership encourages integration processes. The need for its preservation leads to curious metamorphoses of the policy of the municipal council. Whereas quite recently Anatoliy Sobchak was not noted for a special love for his neighbors, now officials of the St. Petersburg municipal council actively defend the idea of the establishment of an economic regional association. The city's backward and economically inefficient industry is of no special interest to local business circles. Therefore, St. Petersburg's financial elite sees the only condition for development (and, perhaps, simply survival) in an expansion into primarily raw-material neighboring oblasts. Especially as the aim is more than obvious here—to outstrip, through consolidation on its terms, Moscow's competitors.

*Antimonopoly Agency Performance Evaluated

954F1805A Moscow IZVESTIYA in Russian 17 Mar 95 p 4

[Article by Georgiy Melikyants, personal correspondent: "The Antimonopoly Committee Encourages Monopolies"]

[FBIS Translated Text] **The draft state report on the development of competition in Russian markets was discussed at a recent meeting of the collegium of the RF State Committee on Antimonopoly Policy and the Support of New Economic Structures (GKAP). The report contains this eloquent statement (cited in its entirety here): "Macroeconomic changes in the last three years contributed in general to the de-monopolization of commercial markets and the development of competition, but this was more a by-product of institutional reorganization and the regulation of foreign exchange rates than a conscious goal of economic policy. As a result, we now see certain positive changes, but we are also facing the threat of the collapse of several branches of domestic industry and the simultaneous appearance of new market monopolies in other branches."**

Flying in the Face of Common Sense

It is always important to have guidelines. Who, for example, can be defined as a monopolist? The law says that it is anyone occupying the dominant position in the market for a specific commodity. In other words, it is anyone whose share of this market exceeds the limit set each year by the Antimonopoly Committee. The law stipulates a maximum of 35 percent. The whole system used this guideline for three years—until GKAP Chairman L. Bochin suddenly raised the ceiling to 65 percent last July.

Professionals were shocked. The chairmen of the committee's territorial administrations were calling each other on the phone: "He did what?..." The decision was protested by administration chiefs V. Vorozheykin from St. Petersburg, O. Novikov from Moscow, P. Romanets from Kostroma, and many others. Chairman G. Tomchin of the State Duma Subcommittee on Privatization called Bochin's "revolutionary move" absurd. Deputy T. Chepasova, who was the head of one of the antimonopoly administrations before her election to the State Duma, said the adjustment was rash and imprudent.

"Why raise the figure to 65 percent, instead of 45, for example?" I asked Bochin.

"Because that is what you get if you subtract 35 from 100," he replied(!?).

I must admit that I did not appreciate the chairman's humor. The state of competition in commercial markets and, consequently, the need for antimonopoly regulations throughout the world are assessed according to "concentration coefficients." These are usually the market share of the three largest "economic entities." The highest possible level of concentration is usually set at 70 percent—and this is for three entities! Now L. Bochin is allowing a single entity to control 65 percent. In this way he "reduced" the number of monopolies in the country by two-thirds in one fell swoop. The State Register of Monopolists the Russian Statistics Committee had been keeping since October 1991 became obsolete.

It is true that L. Bochin graciously allowed the status of firms or concerns with less than 65 percent of the market to be described as dominant, but he added this stipulation—which is contrary to the law: This must be "confirmed by the Russian GKAP (or its territorial administration)." In other words, he relieved firms of the obligation to show their hand: From now on they can sit back and relax while the antimonopoly agencies scurry around in an attempt to collect the evidence that was never required by law. "Let them earn their pay," Bochin said, although he is fully aware that his local administrations are understaffed and that the salaries of their personnel are minuscule in comparison with the income of the monopolists.

Regulations Wreck Relations

Lawful behavior is learned gradually. There is ample proof of this in the frequent friction between the antimonopoly administration in Moscow and its subdivisions. In particular, the administration had vehement objections to the licensing procedures in Moscow. A recent federal government decree proved that its objections were valid. Four years of exhausting struggle revealed two aspects of this drama. One is encouraging: Misunderstandings are superseded by the law. The other is discouraging: In many cases the GKAP is not inclined to support its territorial agencies.

Here is just one example. At one time it caused a furor when the American USSU Corporation was granted the exclusive right to use Ostankino's audio and video tape archives. The Moscow antimonopoly administration (AU) wanted the terms of the contract to be changed—deleting the "exclusive right." When the two sides were already at the point of settling the argument, the GKAP suddenly sent a letter to its municipal administration: Sufficient grounds did not exist for charges of violations of antimonopoly laws. It was not that difficult to refute this statement, but it caused long delays in the resolution of the problem.

Superiors occasionally correct their subordinates, but what if the indignation of the superior is simply feigned for the benefit of a third party?

In Kurgan the head of the oblast administration demanded the removal of insubordinate AU Chief V. Yusov, and L. Bochin complied with this request—on the ludicrous pretext that V. Yusov had failed to amend a document he did not have to amend, and also for using his official vehicle to travel from Kurgan to Tyumen (200 kilometers) "for personal reasons," although Yusov's colleague in Tyumen confirmed in writing that this was a business meeting.

Bochin reprimanded Khakass AU Chief S. Krivosheyeva in the presence of the businessman who had complained about her. This was the last straw for Krivosheyeva and she resigned. It took a newspaper article to save Stavropol AU Chief V. Rokhmistrov from dismissal. In all, Bochin "gave up" a third of his AU chiefs to oblast bigwigs and other influential individuals. After this, who could take them seriously?

Running in Place as a Means of Progression

President B. Yeltsin recently sent draft amendments to the law on the restriction of monopolistic activity, prepared by GKAP, to the State Duma. We have already discussed one of the proposed amendments—the rise of the maximum market share to 65 percent. Another GKAP amendment would delete Section 9, which prohibits participation in business activity by the officials of antimonopoly agencies. Another proposal would amend Section 19: Whereas "one or more of the following conditions" (three in all) was previously sufficient for the mandatory division of a monopolistic structure, now the "presence of the combination" of these conditions will be required. It is easy to predict that this will change the situation radically.

Bochin's ingenuity seems all the more surprising in view of the fact that the GKAP once approved the establishment of concerns and affiliations based on former ministries and departments with essentially the same ministerial prerogatives. This perpetuated their organizational-administrative monopoly. We can only wonder why L. Bochin would risk his own security in this way. Is it simply a matter of excessive ambition or the refusal to listen to anyone else's opinion?

The pursuit of antimonopoly policy demands the same integrity and political will with which the law on privatization (enacted half a year after the law on demonopolization) is being implemented. The government committee that was set up expressly for this purpose must start displaying these qualities.

Conflict Between Federal Authorities, Luzhkov Examined

954E0731A Moscow KOMMERSANT-DAILY in Russian 16 Mar 95 p 3

[Commentary by KOMMERSANT-DAILY department of politics and economic policy: "The Most (Bridge)—Between the Municipal Administration and the Kremlin"]

[FBIS Translated Text] ***In connection with the conflict between the Kremlin and the Moscow municipal administration concerning removal of the "siloviki" ["those who wield power"] in Moscow, the SMI [mass media] have begun speaking about a broader problem: the relations between the federal authorities and a certain "Moscow group" headed by Yuriy Luzhkov, which is supported by the well-known "Most" group. The existence of the "Moscow group," like the ones similar to it (the "Yekaterinburg" and "Rostov" groups) is an objective reality. The term "Dnepropetrovsk group" was in use as far back as the Brezhnev period. The groups during the Soviet period also had an economic motivation that was completely clear: privileged access to limited resources, goods and services, or information, and lobbying on behalf of them. Analysis of the situation involving the "Moscow group" and Luzhkov was undertaken not so much for the purpose of disclosing all the details of the opposition between the Kremlin and the municipal administration, which appears strange at first glance, as to show the objective nature of this opposition in the context of Russia's socioeconomic development.***

The essence of relationships within such groups is not simply a combination of power and business, but its orientation toward the acquisition of economic advantages by making use of informal levers of authority. This is inevitable, for what the unsophisticated man in the street calls the "mafia" is, for no reason, filling a legal vacuum and compensating for legal absurdities (most of which are the product initiated by the same groups, for it is the indispensable basis for their existence), which Russia is full of during the transition period. In this sense, the nature of such groups has remained unchanged since the USSR period: it is based on the same state (or more precisely, bureaucratic) economic regulation and the absence of a "state based law," which it was fashionable to speak about during the perestroyka stage. In this sense, what we call the "mafia" should have been named more properly an oligarchy (from the Greek oligarchia—rule by the few), recognizing its unquestionable value: under today's conditions, it is one of the most effective levers for the self-regulation of society and the economy which is transforming it (against the background of the hopelessness of the "legitimate democratic" state).

The Moscow Group: The Enterprising Municipal Administration and Nomenklatura Business

Is the economic policy conducted by the city government over the past 3 years a phenomenon unique to Moscow? Yes and no. No, because we find its features in all Russian regions to one degree or another. Yes, inasmuch as the policy of local authorities is not presented in any region in such a logically complete, considered, and integral form as in the capital. We can say that there are just three supporting structures for the capital's economic model: first, the distinctive procedure for privatization and active participation by the authorities in commercial structures and total control over business; second, active involvement of banks in financing city programs and the commercial use of budgeted and nonbudgeted funds; third the extent of dependence on federal government subsidies, which is almost the largest among Russia's regions.

The Moscow government has no grounds to claim special exclusivity; this kind of policy is common in world practice. It is peculiar to the municipalities of large but poor cities, which have a large influx of new residents and are faced with the need to build housing on a large scale and modernize the city infrastructure. The municipalities of Italy or Latin America may serve as an example. Finding themselves alone with their problems, the city authorities attempt to obtain the funds needed from the central government, and they let the available money pass through a network of commercial banks or they invest it, legally or illegally, in commercial enterprises. They also seek to make use of municipal landed property—the only "natural" resource accessible to local authorities—for commercial purposes to achieve the maximum advantage for city budgets. Of course, this kind of activity is fraught with considerable danger: abuse of authority. It is no coincidence that numerous scandals and charges of corruption in Italy and Latin America are related to municipal funds and city building contracts, but nothing can be done; you have to pay to resolve the problem.

Naturally, Moscow's privatization policy is attracting the most attention, and not only because the debate between Luzhkov and Chubays is already in its second year. It reflects, to the fullest extent, the essence of the municipal administration's economic policy: active intervention in practically all spheres of business. The arguments of the Luzhkov government are logical: under conditions in the transition period, it is impossible to fully realize Moscow's functions as the national administrative, business, financial, and cultural center without the active guiding role of the city authorities. However, the appropriate levers are needed for this, and property is such a lever: it enables the municipal administration to take part in diverse commercial enterprises without any efforts (Moscow real estate, which does not lose its value, becomes a payment to their charter funds) and to get rid of the headache of resolving urban development problems. It is precisely for this reason that Yuriy Luzhkov is sinking all the attempts to form a private property institute in Moscow, and it is precisely for this reason that the mayor has become a steadfast obstacle on the path of the privatization program developed by the Goskomimushchestvo [State Committee on the Administration of State Property], which provides for universal norms when the forms of ownership are changed. Moreover, the special procedure in privatizing municipal property, in the view of the municipal administration, is the only possible method of transferring state property to "the effective owner" and an efficient means of adding to the city budget.

There is one more (less well-known) aspect of the policy of consolidating the land resources as municipal property. Kemer Norkin, one of the main ideologists of Moscow's economic policy and Luzhkov's authorized representative, has never concealed his liking for the theories of the London school of stimulative taxation, whose leader, Fred Harrison, angrily condemns private landed property as an anachronism. Shifting the center of gravity of tax revenues from the profit tax and the NDS [value-added tax] to the land tax and rent payments is considered as a universal path toward a budget without a deficit and rapid economic growth. Those who support this trend in economics are not bothered by the fact that this theory has not been put into practice in any country in the world. Once again it is proposed that Moscow become a proving ground.

Regarding the second element in Moscow's economic policy: the government's special relationships with commercial banks. Under the conditions of the budget crisis, the authorities are attempting, against their will, to bring about an increase in the budgeted funds at their disposal through the banking system. Thus far, the strategy has consisted mainly of using the system of authorized banks (those best known are the Most Bank, the Inkombank, the Stolichnyy Bank Sberezheniy [Capital Savings Bank], "Menatep,", Narodnyy Bank, "Orbita," and Promgradtekhbank) for operations with budgeted and nonbudgeted funds. Lately they have been counting on establishing their own Municipal Bank, to be given the right to handle all financial operations of the city government. However, this does not change the facts. The authorities are prepared to use substantial funds from the budget (more than 17 trillion rubles [R] in 1994) in bank turnover, hoping not only to gain an advantage for themselves but to possibly interest commercial banks and win their loyalty. The benefits entail specific commitments, of course. The sponsorship of the Most Bank, which financed last year's City Day (R350 million) and the huge donations by the Capital Savings Bank (then called the "Stolichnyy") at the end of 1993 to equip the Moscow GUVD [Internal Affairs Main Administration] and organize security for the "Kolomenskoye" Museum (R1 billion and R350 million, respectively) may serve as an example. Strictly speaking, the institution of authorized banks of the Moscow Government and its unquestioned leader, the Most Bank, are mentioned most often in discussions about the so-called Moscow financial and industrial group.

Practically speaking, in both the first and the second case this refers to rather consistent realization of the state-capitalist model, distinguished by the decisive role of the municipality, which determines the basic rules of the game for Moscow's economic space. The municipal administration allows only those business circles which accept these rules to participate in profitable business. At the end of 1990, Artem Tarasov, who was fairly well-known, called this hypothetical economic procedure nomenclature enterprise. In this system of coordinates, which rules out free competition and dynamic economic development, nomenclature business is either cast aside or rises to the federal level, playing by its rules.

Finally, the city budget's strong dependence on federal government funds is completely natural. The proportion of federal grants in the city government's income is consistently high. Last year, for example, the proportion was 15.3 percent. This is explained by a number of factors—from the need to fulfill "the capital's functions" to the insolvency of agriculture in the regions close to Moscow, which forces the city government to subsidize shipments of imported food products. Speaking of subsidies, we should recognize the exceptional ability of the Moscow Government to implement its wishes from the federal authorities: according to last year's results, Moscow was able to obtain 92.2 percent of what it asked for from the federal budget, while certain Russian regions did not receive even 5 percent of what they requested.

Attempts to explain the Luzhkov phenomenon usually come down to attribution to his extraordinary lobbying abilities, especially close ties with the president, etc. Something Yakov Urinson, first deputy minister of economics, said in a conversation with a KOMMERSANT-DAILY correspondent enables us to look at this problem somewhat differently: "I do not include myself among supporters of Luzhkov's economic policy, but the man should be given his due. He is not financing any fancy lies with the money obtained from the budget, but something which benefits the city." Indeed, the relative order in the center of Moscow and the abundance of cranes in the city are indisputable evidence of the efficient use of the budget money. Moreover, this tactic is completely without risk for obtaining money in the future: the construction projects already begun must continue.

The financial well-being of the capital, however, ended last fall until the beginning of this year, when it became clear that the federal government intended to substantially cut back its financing of Yuriy Luzhkov's government. The extent of the reduction may be judged from the documents reflecting the process of coordinating the amounts of the grants and the federal government's investments. According to the protocol of the conference with Anatoliy Chubays, on 19 December 1994 the city put in a claim for R5.264 trillion in grants to carry out the capital's functions and R8.1 trillion for financing federal programs which concern the city. In 2 weeks (5 January), the volume of investments from the budget was substantially reduced—R4.66 trillion (this was only a request, we repeat). This sum did not include financing to build the Temple of Christ the Savior and the roof for the "Luzhniki" Stadium (an example of the tactic of "we will begin it ourselves, and then we will get the money").

As a result, the investment program for Moscow was reduced to R900 billion, and the grants amounted to almost R2 trillion (this is nominally R600 billion less than in 1994). This provided grounds for Yuriy Luzhkov to accuse Anatoliy Chubays and Yevgeniy Yasin of organizing an economic blockade and intending to "strangle Moscow."

But who is strangling it and how, and is it strangling at all?

The Versions are Multiplying, Like Mushrooms After a Rain

Version No. 1. Boris Yeltsin, or those around him who are sensitive to political conditions, felt that Luzhkov would be a competitor in the forthcoming elections. Because of this, preventive measures supposedly were taken to discredit the head of the "Moscow group" and possibly even to bring about his removal from the game (resignation). This version, in all probability, makes sense only in the event that elections are held in the summer of 1996. The "best minds" in the president's circle are working on the problem of postponing them, but the "minds" in this undertaking are being supported by many of the largest financial and commercial structures (See KOMMERSANT-DAILY's interview with Oleg Boyko yesterday, in particular). If the president is inclined toward elections, anyone rising above the absolutely smooth and dull surface of today's Russian leaders really deserves to have "preventive steps" applied against him. In this connection, Luzhkov's name has been associated for some time with certain "anti-state conspiracies" (See the article entitled "Snow Is Falling" in ROSSIYSKAYA GAZETA; this newspaper insists on "its own" version in a sequel, entitled "There Is Only Dirt Under the Snow"). However, the version "Luzhkov—A Competitor in the Elections" seems to be far from reality, all the same. Luzhkov is a Moscow leader, and everything "from Moscow" is generally disliked in the provinces.

Version No. 2. Yeltsin and his circle—bearing mind the events of August 1991 and October 1993—need Moscow both as a springboard and a rear area. It has always been this way in Russia: whoever controls the capital controls the country. Luzhkov has always provided Yeltsin with a "rear area" in the capital, although lately someone from the president's circle was able to figure out that the interests of the Moscow group are beginning to conflict with the interests of other—federal—groups. After all, the "Moscow group" (primarily the "Most" which symbolizes it) is attempting more and more aggressively to take root in the regions. This kind of expansion may be seen by the president's circle not only in economic terms but political ones as well. General Korzhakov, who is in charge of Yeltsin's security, does not conceal the fact that he has a broad interpretation of the authority to provide for the president's security, and in theory he could fully persuade Yeltsin that this applies to the post of mayor of the capital, especially having people who are devoted in the positions of "those who wield power" in Moscow. Luzhkov, however, is too independent, despite the fact that he has always been loyal to the president. The Kremlin's actions with respect to the municipal administration are entirely symmetrical with its actions in Chechnya: in both places, some new policy of relationships with federation components which have an excessively high opinion of themselves is being developed—and precisely in the context of the center's reinforcement. The actions of "Most" could be interpreted as a kind of bold call from "the appanage prince" followed by a "demonstrative flogging."

This version bears a strong resemblance to the truth, but only in combination with other truths because "naked politics" does not exist in Russia today, just as there are no "naked" economic interests. Politics is only propaganda seasoning.

Version No. 3. This is the most original one. It was authored personally by Senator Nikolay Gonchar (stated in the last "Itogi" [Results] on NTV), who said he has been a close acquaintance of Luzhkov for nearly 10 years. The senator believes that Yeltsin is deliberately persecuting Luzhkov, for Russians are very fond of this kind of person. By raising Luzhkov's rating, Yeltsin will obtain something like a "pocket rival" in the elections with whom he can come to an agreement. In our view, the version does not stand up to any criticism: first, authority is not a "commodity" which he can agree on with someone; second, Luzhkov is not showing any desire to move up to the federal level, for...[incomplete as published] See the ending of Version No. 1 (which was confirmed, incidentally, in an MTK conversation with Boris Notkin on 14 March).

Version No.4. Conditionally called "the doctrine of restraining career ambitions." For example, everyone knows about the conflicting views on privatization between Luzhkov and Chubays (the Moscow and federal governments). The president can play with these conflicts today. It is also well-known that he makes much of such games in general: the president appears to periodically elevate some by pulling down others. There was a "peak period for Soskovets" and a peak period for the premier when rumors were being actively circulated that Luzhkov might replace Chernomyrdin. There was a time when the president supported Luzhkov against Chubays. In none of these cases was there any mention of destroying any group, as in unconditional and long-term favoritism. Has the time come now to restrain the mayor? An entire chain of mysterious events is "hanging" here: the ROSSIYSKAYA GAZETA article that was mentioned (a purely political version of a "conspiracy"), and most importantly, the episode with the "capture" of the Most Bank in December.

Version No. 5. The matter does not concern Luzhkov at all but the people around him. After all, the special services could simply have had a squabble: the private ones increasing in power (when there are a number of commercial structures) or the city services squabbling with the federal or presidential special services. Strictly speaking, the "official" version of Korzhakov's maneuver in approaches to the municipal administration and "Most" was also inclined toward this. Private security has a few too many weapons, they say. In fact, there are not many: according to certain information, up to 1,000 people are employed in the "Most" security service (mainly former KGB employees, including detectives and analysts; the latter supervised by Philip Bobkov, former deputy chairman of the USSR KGB). The authors of this version, however, still have not taken into account the reasonable perplexity of the average citizen: why did measures to prevent violations of the law have to begin so suddenly, and why namely by "Most," which is associated with Luzhkov? The imperial commands and resignations which followed only intensified this perplexity. Indeed, two conclusions suggest themselves from this epic: either General Korzhakov has something against Luzhkov (which the "official" version strongly denied) or "Most" and Mr. Gusinskiy personally have angered the general; that is, the interests of the general and the banker intersected somewhere, then they did not coincide, and the underlying political motive (arsenals, terrorists) are only sauce for the president's table?

Version No. 6. Version No. 5—"Enemies. Their blood lust has led them away from each other for a long time!"—is based on the assumption that the essence of the conflict—the opposition of "Most" and Gusinskiy personally (together with Luzhkov)—is with General Korzhakov personally (he emphasized the opposition himself with the well-known sentence in "AiF" [ARGUMENTY I FAKTY] about his partiality for "hunting geese" [a reference to Gusinskiy]), as a spokesman for certain political and economic interests. Several facts indirectly confirm that the latter interests are present among the president's special services. Korzhakov's December letter to Chernomyrdin about the inadmissibility of liberalizing oil exports in accordance with the IMF model attests to a vested interest in problems of this kind. There is the mysterious (not completely clarified) story about a breakthrough in the specialized export vessels of a certain oil firm, "Rostoplivo," which according to IZVESTIYA is under the aegis of the president's administration and Korzhakov. There are also cases that are even earlier: on 30 December 1994, the State Committee on Military and Technical Cooperation, accountable to the president personally, was established (it was assigned to a favorite, Soskovets, who had cordial relations with Korzhakov, it was said). Under the edict concerned, the committee not only acquired complete freedom in coordinating VTS [military and technical cooperation], but control over the entire network—from NIOKR [scientific research and experimental design work] to the use of funds received by VTS components. The committee was also called upon to control nearly all the budgeted expenditures for the VPK [military-industrial complex]. Meanwhile, even earlier, all the claims concerning monopolism in arms exports (when NIOKR and the other links in this chain remained under the government's jurisdiction, all the same) were concentrated in the "Rosvooruzheniye" State Company. This firm in turn had its own authorized banks—"Menatep," "Intermed," "Moscow National," and "Most." On 1 March 1994, General Samoylov, then head of "Rosvooruzheniye," sent letter No. 80190/03 to Vice Premier Soskovets with the request to allocate R1 trillion for the company's needs in the form of a 3-year loan without interest, with the funds put into the "authorized bank." According to available information, most of this money accumulated in accounts in "Most." It is too soon to say whether these funds had already been sent to "the producers of specialized property [spetsimushchestvo] delivered to clear off Russia's state debt to China, Iran, and the United Arab Emirates [UAE] (as in the letter). These deliveries were mentioned specifically: to China, an Su-27 (Su-30) for $550 million; to the UAE, a T-80U, T-72S, a "Msta-B,“ a "Shturm-S,“ a BMP-2, a "Strela-10MZ“ and ammunition for $560 million; to Iran, a "Msta-S,“ a BMP-2, a T-72S, and ammunition for $200 million. Negotiations were held on deliveries in 1994, but in the fall a critical need developed to form the committee mentioned (together with a personnel shakeup in "Rosvooruzheniye“), transferring control over the entire financial sphere of VTS to it.

What Is Next?

Not one of these versions is working in its pure form. At the same time, some truth may be found in each of them. This means an extremely complicated mixture of politics and economics. The mixtures are so inconsistent that no unequivocal settlement of the conflict surrounding Luzhkov and "Most" is foreseen. The president, the principal figure concerned, is most likely to be presented with "pure politics." However, the "presenting" persons are unlikely to be guided so much by "pure politics." What is next? Most likely there will be lengthy squabbles with court involvement, the proposal and rejection of certain compromises related to "those who wield power" in Moscow and the powers of Moscow and their demarcation with the center. The likelihood that Luzhkov will really resign, using this as a political maneuver, thereby reliably providing for his victory in the 1996 elections—not for president but for mayor of Moscow—cannot be entirely ruled out.. As far as Gusinskiy is concerned, further efforts by the president's special services to "finish him off" may not be needed: bankers can be eliminated only by their banker colleagues like everywhere else in the world. There can be no doubt about this, since objective conditions for the existence of regional oligarchies, including in Moscow, have been maintained for a very long time.

[boxed item]

Bankers on the Possibility That Yurly Luzhkov May Resign

A survey of authorized banks of the Moscow Government produced the following result: the overwhelming majority refused the request by KOMMERSANT-DAILY to comment on the situation associated with the mayor's possible resignation. The replies ranged from a categorical "no" to "the question is too delicate," "high-level politics is involved here," and "it is unethical to speak about this while Luzhkov remains in office." Such unity leads us to think that an agreement has been reached among the authorized banks to remain silent until the conflict is resolved. In the words of some questioned, the authorized banks are divided between those who support the Moscow authorities (primarily the Most Bank) and those who sympathize with the federal authorities. Let us point out that there is one more group. These are banks which remain outside of politics, by their own admission. "We respect the existing authority, and we try to live with it in peace and harmony, regardless of specific individuals," an official representative of one of the largest Moscow banks stated. "We support good business relations with the Luzhkov government. When there is another mayor, I hope that relations will be just as cordial."

It is interesting that some of the bankers polled divided the authorized banks this way: especially close (Most Bank, Inkombank, Stolichnyy Bank Sberezheniy) and banks remote from high-level politics ("Orbita," Promradtekhbank, ZelAK Bank, and others). A representative of the "Orbita" bank said he was undisturbed by rumors about Luzhkov's possible resignation: "About 90 percent are convinced that there will be no resignation. This is a purely declarative statement." (Though far from all the bankers have supported the thesis that the mayor's statement was declarative in nature, especially those that are "especially close." In particular, the official representative of the Inkombank praised Luzhkov as a serious politician who is accountable for his words.) According to the "Orbita" representative, banks in this group have held consultations unofficially "at the level of a kitchen table discussion." As far as those which are "especially close" are concerned, the speaker said they may have even more serious consultations, including with the participation of highly placed representatives of the municipal administration.

Some of the bankers expressed concern about the institution of authorized banks of the Moscow Government, calling the establishment of a municipal bank a step backward, to the times when all budgeted funds were concentrated in Moscow's People's Commercial Bank. This increases the risk that loans will not be repaid, payments will be delayed, and so forth. It is interesting that some of the bankers do not associate the idea of a municipal bank with Luzhkov, believing that pressure was brought to bear on the mayor. For this reason, we can only guess about the future of a municipal bank and authorized banks in the event that Luzhkov resigns.

*Magnitogorsk Combine Legal Difficulties Detailed

954F1798A Moscow SEGODNYA in Russian 14 Mar 95 p 11

[Article by Natalya Totova: "A Trump Card in the Political-Metallurgical Game: Sector Workers Able To Win Back Magnitka from Russia's Choice"]

[FBIS Translated Text] [begin box] The authorized capital of the MMK [Magnitogorsk Metallurgical Combine] AO [joint-stock company] totaled R8,858,518,000 as of the balance sheet for 1 June 1992. Twenty-five percent of the preferred shares of stock of the combine have been distributed among the work force under a closed subscription. Ten percent of the voting shares were sold among the work force from the fund to issue shares of stock to enterprise employees (FARP), 8.7 percent were placed by private subscription, and 5 percent were purchased by the management of the MMK AO under options. Some 17.79 percent of the shares in the combine were reserved as state property for three years (until January of 1997) for subsequent sale on an investment basis, and 30.46 percent should have been sold at voucher auction according to the plan for privatization (it was 3 percent of the shares out of this quantity that were put forward for monetary auction). About 6 percent of the shares, not counting the disputed 3 percent, belong to the Russian Capital MFIK, approximately 3 percent are under the ownership of the Mekom company, and 2.7 percent belong to Rabikom. Magnitogorsk Steel, Alest, and Grif and K Enterprise are also owners of blocks of stock in MMK AO.

The buy/sell rate of shares in MMK AO on the off-exchange funds market was $9-9 ⅜ buy and $20/15 sell at the beginning of March, according to data from AFI. [end box]

The procuracy of Chelyabinsk Oblast is accusing the participants in the monetary auction for the sale of 3 percent of the shares of stock in the MMK AO of a conspiracy, and is demanding the return of a block of securities to state ownership by means of the cancellation of the buy-sell agreements for the securities of Magnitka that were concluded as a result of the auction. The oblast body for oversight of the fulfillment of legislation intends to appear in a court of arbitration to protect the interests of the state.

The court of arbitration of Chelyabinsk Oblast has begun consideration of a complaint of the oblast procurator against the regional property fund, the Social Protection of the Population of the Oblast ChIF AOOT [open joint-stock company] (the ChIF SZNO), and the Russian Capital MFIK AOOT to deem the results of the monetary auction for the sale of shares of stock in the Magnitogorsk Metallurgical Combine invalid. The hearing has been postponed until March 20 owing to the host of petitions by the parties, in particular the request by the procuracy to bring in as codefendant the Chelyabinsk Privatization Center, which conducted the auction. Representatives of Russian Capital have sent a petition to the court of arbitration to remove an unsuitable plaintiff in the person of the procuracy and to clarify the amount of the damages caused to the state.

Recall that the Moscow investment company was already granted an analogous petition in the famous case of "writing off the shares of the Krasnoyarsk Aluminum Plant."

The monetary auction for the sale of shares of stock in the MMK AO was conducted twice by the Chelyabinsk Property Fund and Fund Center. The sale was held the first time on 5 November of last year. The Moscow company of Alest, the regional SZNO ChIF, the Chelyabinsk Oblast Investment Company, and the Magnitogorsk Mekom AOZT [closed joint-stock company] took part in the auction. Heated competition arose, according to witnesses, for the block of shares in Magnitka. The aspirants went up to very large sums in the heat of the moment. Alest left the game, dropping out at R11 billion, and Mekom stopped raising its auction flag after the price of the block of stock reached R28 billion. The 272,148 shares in MMK, at a starting price of R1,000 each, thus went to the oblast investment company for R30 billion. But the auction lot remained in state ownership, since the winner could not pay for it.

The repeat auction took place on 5 December. The SZNO ChIF and Alest took part once again, as did the Russian Capital MFIK. This time the shares went to the Fund for Social Protection of the People of the Oblast for R300 million. Two weeks later the SZNO ChIF sold the MMK shares to Russian Capital for R3 billion. The Depositary-Chel company entered the new shareholders in the register of owners of the metallurgical combine.

The procuracy believes that the oblast property fund violated the rules for the conduct of the monetary auction, approved by order of RF GKI [State Property Fund of the Russian Federation], regarding the deadlines to publish information on the sale of shares of stock. The complaint reports that the oblast property fund published an announcement in the local newspaper AKTSIONER six days later than prescribed by legislation, which limited the circle of buyers of the shares. The low price offered for the sale of the shares, in the opinion of the applicant, is moreover explained by a conspiracy of the participants in the auction. The injury to the rights of the state is seen in the fact that the receipts to the local and federal budgets from the repeat auction were 10 times less than the November sale.

The court of arbitration granted the petition of the procuracy on 31 January "for the purpose of ensuring the protection of the object of the buying and selling," and designated as subject to seizure the 272,148 shares of stock that were in the deposit account of Russian Capital.

The appeal of the procuracy to courts of arbitration, according to information available to BIZNES-SEGODNYA, was partly inspired by the management of the Mekom company, operating in the funds market in the interests of the MMK AO, and Magnitka itself; they were not among the participants in the repeat auction. The executive director of the Mekom company, Vladimir Mayakovskiy, sent the Chelyabinsk Fund Center and Oblast Property Fund a complaint regarding an infringement of buyer's rights at the monetary auction, and MMK AO General Director Anatoliy Starikov signed a letter to the oblast Procurator Gennadiy Likhachev with the demand to annul judicially the buy/sell agreement for the shares of stock in the combine that was concluded on 12 December by the regional division of the RFFI and the SZNO ChIF. The arguments made by Mr. Starikov virtually coincided with the text of the complaint of the oblast oversight body. The management of Magnitka is certain that access to the auction was limited, which led to a conspiracy to fix a low auction price.

Anatoliy Starikov feels that the seller of the shares of Magnitka, the regional property fund, and the buyers, the SZNO ChIF, the Alest AOZT, and the Chelyabinsk Magnitka Investment Company, caused direct damages in the amount of R15.147 billion as a result of the conspiracy. The complaint by the general director of MMK refers to the procedure for the distribution of the funds that were obtained from the sale of shares at the monetary auctions, as defined in the "Fundamental Provisions of the Privatization Program After 1 July 1994" (Appendix No. 1), according to which 51 percent of the total amount is received by the privatized enterprise itself. The executive directors of the metallurgical combine, according to unofficial information, planned to direct that 15 billion toward the investment needs of basic production.

The chairman of the oblast committee for property management, Galina Zheltikova, noted in a conversation with a correspondent from BIZNES-SEGODNYA a certain strangeness in the phrasing of the compliant by Magnitka: "I doubt that the professionals among the executive directors of MMK were unaware that 3 percent of the shares of the combine were not sold in accordance with the new rules for the conduct of monetary auctions, but rather in accordance with the statute 'Procedure for the Ruble Sale of Shares of Stock in Amounts Up to 10 Percent of the Total Number of Shares of Joint-Stock Companies Sold at Specialized Voucher Auction,' approved by Order No. 236 of the RF Goskomimushchestva [State Property Committee]. The funds received from the sale of securities are intended to cover the expenditures of the privatization bodies for conducting the voucher auctions, and should be directed entirely to the state budget." Galina Zheltikova explains the low price for the shares of Magnitka at the second auction to the more restrained behavior of the participants in the sale, who did not want to follow the example of the Chelyabinsk Oblast Investment Company, which had offered a sum it could not manage in the heat of battle and lost a deposit in the amount of the initial value of the block of stock offered for sale, the R300 million belonging to the insolvent victor of the November auction, which were paid to the state budget as a result.

The protests of the executive directorship of the metallurgical combine against the deal that was made, at first glance, could be relegated to the ranks of corporate maneuverings dictated by a desire to complicate the life of any outside shareholders, especially on the eve of the reporting meeting of shareholders. It has become known to the BIZNES-SEGODNYA correspondent from unofficial sources, however, that Magnitka was able to reach agreement on the transfer of virtually all of the shares in the combine belonging to Russian Capital to the trust administration of the executive directors of the MMK AO. Judging by the results of the voting at the recent meeting of shareholders in Magnitka, by the way, the representatives of the Moscow company have demonstrated a complete uniformity of views on the development of the enterprise with the executive directors of the combine. If we consider the actions of the management of the metallurgical giant exclusively from the corporate standpoint, then the behavior of the top people of Magnitka looks extremely illogical. Some observers, however, feel that the directors of the combine wanted to direct the attention of the law enforcement bodies first and foremost not at the ultimate buyer of the shares (Russian Capital, according to legislation, is a good-faith acquirer of them), but rather toward the activity of the regional privatization bodies, with which Magnitka has not found mutual understanding for a long time.

The same observers link the incident with the 3 percent of the shares in the combine with a letter that arrived last week at the General Procuracy and the Government of Russia from the chairman of the Subcommittee for State Property of the State Duma of the Russian Federation, Vladimir Golovlev. The document, entitled "A Forgery in the Completion of Privatization and Attempt at the Mafiosa Seizure of the Magnitogorsk Metallurgical Combine," calls into question the legality of the "base" privatization of the MMK—a closed subscription to shares in the enterprise among the executives of the combine and the work force. Mr. Golovlev feels that the 23.7 percent of the shares of stock that were distributed among the employees of MMK, in light of violations in the conduct of privatization, should be considered the state share. The former chairman of the regional property fund of Chelyabinsk Oblast, Vladimir Golovlev makes the assertion that the financial problems of Magnitka (and the creditor indebtedness in particular, totaling hundreds of billions of rubles) are being created by a series of political forces for the intentional discrediting of the policies being pursued by the RF Government, linking the activity of Anatoliy Starikov as president of the regional Union of Industrialists and Entrepreneurs with the "persistent statements of the head of the oblast administration, Mr. Solovyev, of the necessity for the Government of Russia to resign."

The letter does not explain on the basis of what observations the parallel is drawn between the general director of Magnitka and the governor of the oblast. A deputy's appeal has come to the General Procuracy of Russia, as has been reported to a correspondent of BIZNES-SEGODNYA, addressed to Mr. Ilyushenko and readdressed to the oblast procuracy, which is now beginning the next investigation of the problems in the privatization of the metallurgical combine. The facts indicated in the deputy's letter, in the opinion of representatives of Magnitka, in no way correspond to reality, and they are simply trying to drag the management of the combine into political games. One of the directors of the MMK assumed that the deputy's investigation is an attempt by some influential political clan to hit back at the management of the combine for its active opposition in the privatization sphere. MMK AO General Director Anatoliy Starikov stated to a correspondent for BIZNES-SEGODNYA that he regards the accusations of Deputy Golovlev as a personal challenge, and will not allow the 60,000-strong work force of Magnitka "to get mixed up in games like that."

It is worth noting that after the general meeting of shareholders of MMK AO that was held on 7 March, the possibility of influence by Russia's Choice on the economic policies of the combine effectively became unrealistic. The owners of the metallurgical combine approved changes in the charter documents of the joint-stock company, and re-elected the members of the board of directors of the MMK AO. A former member of the board of directors and chairman of the Chelyabinsk committee for property management, Galina Zheltikova (also a member of Russia's Choice), refused to take part in the shareholders meeting, stating that owing to the series of complaints to deem invalid most of the deals with shares of stock in Magnitka, the decisions of the reporting meeting should be considered invalid. The shareholders, however, considered it possible to continue the meeting. According to the new edition of the charter of the MMK AO, only the owners of securities of the enterprise may be members of its board of directors, and representatives of the authorities who do not have agreements to manage a block of shares in Magnitka thus do not now have the right to be part of this working body of the shareholders meeting. Ms. Zheltikova (who did not submit her candidacy at all) and the mayor of

Magnitogorsk, Mr. Klyuvgant (who was late in submitting his application), did not join the board of directors on that basis.

The new directors of Magnitka are the chairman of Roskommetallurgiya, Serafim Afonin; the deputy chairman of Goskomimushchestva of the Russian Federation, Alfred Kokh; the chairman of the board of Promstroybank RF, Yakov Dubenetskiy; the president of the Tyazhpromeksport AO, Valentin Smirnov; the deputy head of the oblast administration, Viktor Khristenko; the first deputy general director of MMK AO, Viktor Rashinkov; and two representatives of the combine. Anatoliy Starikov was virtually unanimously reelected chairman of the board of directors and general director of the Magnitogorsk Metallurgical Combine.

Production of Principal Types of Products at MMK AO in 1992-94

Description	1992	1993	1994	1994/1992, percent	1994/1993, percent
ore production, thousand tonnes	389	830	1,048	269.10	126.22
merchant shapes, thousand tonnes	2,676	2,215	1,921	71.79	86.76
including merchant stock	315	117	371	117.89	317.91
rolled sheet, thousand tonnes	7,068	5,932	3,954	55.94	66.65
including slab stock	1,467	1,977	1,398	95.28	70.68
Items for subsequent processing:					
tinplate, thousand tonnes	324	304	247	76.31	81.46
galvanized sheet, thousand tonnes	139	135	116	83.41	85.82
steel strip, thousand tonnes	242	151	177	72.98	117.46
bent shapes, thousand tonnes	549	325	96	17.47	29.48
use of secondary iron ore, thousand tonnes	967	1,107	1,195	123.57	107.93
machine-building products, thousand tonnes	268	292	176	65.61	60.26
aluminosilicate items, thousand tonnes	212	150	138	64.97	91.55
electric power, millions of kwh	3,449	3,260	3,202	92.84	98.22
thermal power, thousand Gcal	23,448	21,990	19,821	84.53	90.14
Construction items:					
prefabricated reinforced-concrete, cubic meters	21,439	27,157	27,745	129.41	102.17
mass-market reinforced-concrete, cubic meters	15,989	18,562	25,296	158.21	136.28
Keramik Yard bricks, millions	15	17	20	133.33	117.65
consumer goods, sets	23,084	27,063	23,859	103.36	88.16
Agricultural products:					
meat, tonnes	1,291	1,347	1,556	120.53	115.52
milk, tonnes	5,430	9,597	8,817	162.93	92.19
grain, tonnes	11,494	20,908	19,159	166.69	91.63
products of agricultural processing, tonnes	5,179	6,629	11,869	229.19	179.04

*Directive Sets up Additional Federal Wholesale Market Days

954E0745A Moscow ROSSIYSKAYA GAZETA in Russian 22 Mar 95 p 16

[Directive No 258-r dated 24 February 1995 of the Government of the Russian Federation, Moscow]

[FBIS Translated Text]

1. For the purpose of forming a consumer market of nonfoodstuffs for 1995, to accept the proposal by Roskomtorg to hold in the city of Moscow in March-April additional federal fairs for the wholesale sale and purchase of goods for cultural-domestic and household purposes, haberdashery and perfumery articles, textile,

clothing, and footwear with the participation of enterprises of CIS member states and the Baltic countries.

2. Roskomtorg, jointly with interested Russian Federation ministries and departments, joint-stock companies, associations, firms, and associations, shall carry out the necessary organizational work on preparing and holding fairs and approve the membership of the fair committee.

3. Bodies of executive power of the Russian Federation's components shall provide assistance in ensuring the participation in fairs of a wide range of producer enterprises, suppliers, and customers of nonfoodstuffs, irrespective of their forms of ownership.

4. Roskomtorg shall submit an analytic information survey of the results of fairs to the Government of the Russian Federation.

[Signed] V. Chernomyrdin, chairman of the Government of the Russian Federation

*Poll on Foreign Companies Competitive Potential Held

954E0748A Moscow KOMMERSANT-DAILY in Russian 18 Mar 95 p 3

[Article by Marat Salimov: "Regions Rank Foreign Firms"]

[FBIS Translated Text] **This is the first time a sociological survey of national businessmen to learn their opinion of the competitive potential of foreign firms has been used in Russia, although it is a popular instrument of marketing research in the West. The study was conducted at the request of the FRG Ministry for Economics by the Research and Public Relations Center of the Russian Chamber of Commerce and Industry (TPP) in conjunction with the German "East European Consulting Center." The results of this study, which were reported yesterday by TPP experts in the TPP conference center, mostly confirmed the earlier assumption that the penetration of the Russian market by foreign firms and the assessment of their competitiveness would depend largely on the geographic location of the region and the level of its socioeconomic development. The research also confirmed a view expressed a year ago in KOMMERSANT-DAILY: Russia's economic development will lead to pronounced differences between various regions, each of which will become part of the sphere of influence of one of the leading world economic centers.**

German Experts Are Interested in Only Four Regions

The assessment of the comparative competitive potential of foreign firms is based on a survey of the administrators of joint ventures, representatives of import organizations and firms, and experts on foreign economic affairs working in regional agencies of the executive branch of government. The poll was conducted in four Russian economic regions—the Northern, Ural, West Siberian, and Far Eastern regions. Of course, these regions differ considerably in terms of geographic and climatic conditions and in their levels of socioeconomic development. This affected the assessments of foreign firms, and that is why the results of the study cannot be applied to Russia as a whole. The failure of the study to cover all of the economic regions of Russia is probably the main shortcoming of the subsequent report. This was acknowledged indirectly by Vladimir Gubernatorov, the head of the TPP Research and Public Relations Center. He did point out the fact, however, that the regions were chosen by the FRG Ministry for Economics, and we know that a project sponsor is entitled to make the final decision.

Firms of the FRG Are Outside the Competition in the Urals and Siberia

The competitiveness of various foreign firms in the regions in question was evaluated during the sociological survey. First we will look at the results as they pertain to *the different countries.* Respondents were given a list of 14 countries—the 10 countries with the highest volume of import operations with Russia and 4 countries with traditional ties with the regions. Although Hungary, the Netherlands, and Finland are among the leading importers, from 40 to 50 percent of the respondents in the Urals, East [sic] Siberia, and the Far East could not assess the competitive potential of the firms of those countries. This is an indication that firms from those European countries are operating mainly in the central economic region.

The poll demonstrated that the assessments of the competitive potential of the firms of different countries and the positions they occupy could display significant *regional differences.* In regions in direct proximity to the border, for example, the firms of neighboring countries seemed to Russian businessmen to have the most competitive potential. Respondents in regions in the center of Russia gave the highest rating to the competitive potential of traditional partners with whom ties had been established back in the time of the USSR, and to the competitiveness of firms from dynamically developing countries (Turkey and Israel).

The Russian importers' assessments of the competitive potential of foreign trade firms depended *both on the sphere and on the geographic range of their activity.* In the Northern region, for example, food importers gave the highest rating to Norwegian firms (60 percent), and in the Ural region importers of consumer goods gave the highest ratings to firms from Germany (63 percent), the United States (46 percent), and France (37 percent), while food importers gave the highest rating to German and French firms. The assessments of the competitive potential of suppliers of consumer goods and food were approximately the same in the West Siberian region. The situation was completely different in the Far Eastern region. There the highest ratings were understandably given to China, Korea, and the United States.

Rating of Firms from Different Countries in Russian Regions (Percentage of Russian Businessmen and Regional Officials Assigning the Highest Rating to Competitive Potential of Firms from Different Countries)

Countries	Percentages
West Siberian Region	
Germany	60
Japan	34
United States	31
Great Britain	19
France, Italy	17
Ural Region	
Germany	56
Japan	41
United States	39
France	28
Korea, Great Britain	26
Northern Region	
Finland	46
Norway	37
Germany	34
United States	20
Korea, Great Britain	14
Far Eastern Region	
Korea	53
Japan	51
China	35
United States	24
France, Germany	12

Efficiency Is the Main Thing

In addition to evaluating competitive potential, respondents were also asked to judge *the degree to which various criteria affected the choice of a foreign partner* for trade and investment projects. It is interesting that the representatives of regional business communities and the experts said that reliability and punctuality were the most important factor in the choice of a partner. The quality and price of the products supplied by the foreign partner ranked second, and the terms of financing ranked third. Besides this, the role of personal contacts in the establishment of trade-economic and investment ties with foreign firms was given a high rating. Experience has demonstrated that it takes time to establish and maintain these contacts, and they are being used to the fullest extent by the former personnel of state foreign economic agencies who have moved to the private business sector.

The Russian Far East Is Included in U.S. and Japanese National Programs

Experts on foreign economic affairs were also polled on the *productivity of the programs conducted by international economic organizations* to promote the economic recovery of Russia. Only 24 percent of the respondents mentioned the implementation of TACIS, the EC program for technical aid to the CIS countries, in their regions, and from 13 to 17 percent mentioned the financial programs of the European Investment Bank and the EBRD and IBRD. The international technological programs are more apparent in the Ural and Northern regions. In the Far Eastern region, on the other hand, neither the experts on foreign economic affairs nor businessmen have any contact with projects of this kind in their course of their work. Cooperation with foreign partners in that region is carried out primarily within the confines of regional programs—the programs of the Association of Pacific Nations and the national programs of the United States and Japan.

The Local Bureaucracy Has Become a National Misfortune

All of the respondents expressed the same opinion of *prospects for the development of foreign economic activity* in their regions. These are the now traditional fields of food and consumer goods imports and raw material exports. They did not exclude the possibility that the improvement of the investment climate could lead to the expansion of the network of joint ventures engaged in the primary processing of raw materials, which could increase the percentage of semimanufactures and components in the export structure of the regions. Just as in the past, however, representatives of joint ventures said that the instability of Russian legislation is doing much to deter broader foreign investment. The same opinion was expressed by spokesmen for the German side when the results of the sociological poll were discussed in the TPP. In addition, they said that existing tax laws also discourage foreign investors. It is interesting that bureaucratism was acknowledged to be the main obstacle to foreign business on the local level, and that the Far East was recognized as the unconditional leader in this area.

It is surprising that the federal bureaucracy was not named as a significant factor deterring the development of foreign economic affairs in any of the regions. KOMMERSANT experts do not know whether this is a promising development or a sign of the imminent collapse of the country. In any case, the once popular theories about the "tyranny of the federal center" apparently require major alterations.

*Decree Transfers Federal Socio-Cultural Facilities to Regions

954E0745B Moscow ROSSIYSKAYA GAZETA in Russian 22 Mar 95 p 11

[Decree No 235 dated 7 March 1995 of the Government of the Russian Federation, Moscow, on the Procedure for the Transfer of Facilities for Socio-Cultural and Municipal-Domestic Purposes Under Federal Ownership to the State Ownership of Components of the Russian Federation and to Municipal Ownership]

[FBIS Translated Text] For the purpose of relieving enterprises of functions not characteristic of them, which are connected with the maintenance of facilities for socio-cultural and municipal-domestic purposes, and in accordance with edict No 2027 dated 28 October 1994 of the President of the Russian Federation "On Powers of the Government of the Russian Federation To Carry out the Transfer of Facilities Under Federal Ownership to the State Ownership of Components of the Russian Federation and to Municipal Ownership" ("Sobraniye zakonodatelstva Rossiyskoy Federatsii" [Collection of Russian Federation Legislation], No 27, 1994, Article 2858), the Government of the Russian Federation decrees:

1. To approve the attached Statute on the Procedure for the Transfer of Facilities for Socio-Cultural and Municipal-Domestic Purposes Under State Ownership to the State Ownership of Components of the Russian Federation and to Municipal Ownership (not published).

2. To establish that for the transfer of facilities for socio-cultural and municipal-domestic purposes under federal ownership to the state ownership of components of the Russian Federation and to municipal ownership:

—enterprises at the stage of privatization shall include lists of such facilities in privatization plans in a separate section;

—enterprises, the privatization plans of which have been approved, shall make changes in privatization plans in accordance with the established procedure, including lists of transferred facilities in them.

3. The approval of the enterprise privatization plan (of changes made in the enterprise privatization plan) represents a decision on the transfer of facilities for socio-cultural and municipal-domestic purposes under federal ownership to the state ownership of components of the Russian Federation and to municipal ownership.

4. Facilities for socio-cultural and municipal-domestic purposes under federal ownership, which are under the authority of enterprises not subject to privatization in accordance with the State Program for Privatization of State and Municipal Enterprises in the Russian Federation and under the authority of public plants (public factories and public facilities) established in accordance with edict No 1003 dated 23 May 1994 of the President of the Russian Federation "On Reform of State Enterprises" ("Sobraniye zakonodatelstva Rossiyskoy Federatsii," No 5, 1994, Article 393), are transferred to the state ownership of components of the Russian Federation and to municipal ownership in accordance with the procedure established by directive No 114-rp dated 18 March 1992 of the President of the Russian Federation "On Approval of the Statute on Determining the Facility Composition of Federal, State, and Municipal Ownership and the Procedure for the Legalization of Ownership Rights."

5. The Russian Federation Ministry of Finance shall carry out the financing of facilities for socio-cultural and municipal-domestic purposes in accordance with decree No 1325 dated 23 December 1993 of the Council of Ministers-Government of the Russian Federation "On Financing Facilities for Socio-Cultural and Municipal-Domestic Purposes Placed Under the Authority of Local Bodies of Executive Power During the Privatization of Enterprises" ("Sobraniye aktov Prezidenta i Pravitelstva Rossiyskoy Federatsii" [Collection of Acts of the President and of the Government of the Russian Federation], No 52, 1993, Article 5091) within the funds specified by the federal budget, as well as with the funds allocated for these purposes from other sources, through their transfer to budgets of corresponding components of the Russian Federation.

6. To declare invalid as of 1 March 1995 the first paragraph of point 1 of decree No 935 dated 22 September 1995 of the Council of Ministers-Government of the Russian Federation "On Transition to a New System of Payment for Housing and Municipal Services and on the Procedure for Giving Compensations (Subsidies) to Citizens During the Payment for Housing and Municipal Services" ("Sobraniye aktov Prezidenta i Pravitelstva Rossiyskoy Federatsii," No 39, 1993, Article 3620).

7. To recommend:

—that bodies of executive power of components of the Russian Federation follow the procedure established by this decree during the transfer of facilities for socio-cultural and municipal-domestic purposes under the state ownership of components of the Russian Federation to municipal ownership;

—that bodies of local self-administration establish—on the basis of existing bodies of management of housing and municipal facilities—municipal structures for the management of the housing and municipal sphere with the status of legal entities (customer services), the functions of which will include the conclusion of turnkey contracts with enterprises servicing facilities for socio-cultural and municipal-domestic purposes.

8. Russian Federation ministries and departments shall bring departmental normative acts determining the conditions of and the procedure for the transfer of facilities for socio-cultural and municipal-domestic purposes to the state ownership of components of the Russian Federation and to municipal ownership into conformity with this decree.

[Signed] V. Chernomyrdin, chairman of the Government of the Russian Federation

*Problems of Magadan Gold Mining Industry

954E0718A Moscow RABOCHAYA TRIBUNA in Russian 17 Mar 95 p 4

[Article by correspondent Vladimir Androsenko: "Don't Overdo It on the London Exchange: It Is Cheaper To Develop Our Own Gold Industry"]

[FBIS Translated Text] Magadan—**In Magadan Oblast, the drop in gold production continues. In 1992, 29,156 kg of the precious metal was mined, in 1993 it was 28,098 kg, and in 1994 approximately 27,000 kg was mined. In the Severovostokzoloto association, volumes have decreased over that same period from 32 to 23 metric tons.**

Nonetheless, the branch has not collapsed completely, as many in Kolyma had feared it would. Northerners' well-established practice of working hard under the most extreme conditions has obviously stood them in good stead. In the harsh reality of insufficient financing and over-using their old equipment, the miners have nonetheless managed to preserve their basic productive potential and have not allowed enterprises or settlements to close. The Susumanskiy GOK (mining and metallurgical combine) and the Matrosov mine have done some good work this past year, and the Karamkenskiy, Yagodninskiy, and Berelekhskiy GOKs are in satisfactory condition. Unfortunately, three GOKs are on the brink of extinction: the Srednekanskiy, Tenkinskiy, and Orotukanskiy. The Eksperimentalnyy mine is also headed in that direction; production of the metal has dropped by half here. If things continue this way, 1995 will be their last year.

Despite this, the gold miners are maintaining hope, nourished mainly by the fact that the attitude within governmental structures toward the heavy branches of industry is changing.

"Life itself is forcing those in power to become more pragmatic," says A. Menshov, general director of Severovostokzoloto. "The idea that gold is easier to acquire on a London exchange than to mine here at home is disappearing as are several figures who have left the government. Our rulers have begun to understand that although you can truly buy anything in the West, you have to pay for it in full-value [polnovesnaya] hard currency, which they will never have without a developed national industry. Thanks to this realization, we have managed to obtain several privileges in financing operations and in obtaining credit. A simple example: the average purchase price for one gram of the metal was R28,000, but its value in Kolyma rose last year to R32,000. To a great degree this was due to unusually high rates for bank credits. Nonetheless, they heard us: the interest rate was reduced from 120 percent to 40 percent, which had an immediate positive effect on the financial status of mining enterprises."

Financial pressure was also eased by the "gold loan," about which Severovostokzoloto concluded an agreement with Vneshtorgbank (Foreign Trade Bank). The latter sold six metric tons of gold from its own reserves and gave the money earned to gold industrialists in the form of a loan to be repaid in gold. This kind of deal allowed the miners to exchange expensive Central Bank credits for cheaper ones and thus improve their position.

It has become easier for miners to plan their operations for the coming year. Under last season's program funds started being advanced only in late February, but this time R90 billion—one quarter of the entire sum requested—was received in the latter half of December. For all intents and purposes, preparatory work for the new industrial season began a full two months earlier. That means the results will be better, too.

The next R90 billion has also been allocated from the center. This is a serious claim on the mining of 20 programmed metric tons of gold.

The next extremely important part of the talks between gold industrialists and the government involves the urgent need to technically re-equip the sector.

"We have stipulated to the government the possibility of attracting ordinary credit to re-equip technically," says A. Menshov. "We have partners—American, Canadian, and Japanese firms. They have agreed to give us great equipment—heavy bulldozers, loading equipment—with payments deferred for three years. It is all a matter of money. We are trying to get a credit through in the Finance Ministry—within the limits of the 'libor' rate (the floating international rate of 5-6 percent interest in hard currency—V.A.), but so far without result. I think we could attract funds from banks, but unfortunately, the law covering the precious metals market is not effective here."

Magadan gold miners have one more opportunity to attempt to stabilize the situation: organize a leasing company with the participation of energy, transportation, and other enterprises.

In the past, the leadership of the sphere tried to "bind" the participants in these economic relations into a single bundle. Under the aegis of the oblast administration, an agreement was concluded with enterprises of the base branches of industry that provided for the financing of prices for services and the possibility of raising them only within the framework of an increase in the price of gold.

To gold industrialists, a purely economic basis for cooperation seems more reliable.

*TU Official on Worker Unrest in Krasnodar Kray

954E0742A Moscow RABOCHAYA TRIBUNA in Russian 22 Mar 95 p 2

[Interview with Anatoliy Shirokopoyas, chairman of the kray trade-union council, conducted by Tatyana Zhurbenko, RABOCHAYA TRIBUNA correspondent, Krasnodar: "They Did Not Go Bankrupt, But Fell Into the Debt Trap"; date and place not given]

[FBIS Translated Text] **The adoption of a number of declarations was the result of the Krasnodar Kray Inter-Union Conference of Trade Unions. One of them is addressed to Russia's President Boris Yeltsin and to Government Chairman Viktor Chernomyrdin. Having**

described the difficult economic situation existing in the Kuban, participants in the conference announced that the "lack of solution of problems will force them to revoke their signatures under the Agreement on Public Accord."

"The Kuban in the role of a rebel?" I ask Anatoliy Shirokopoyas, chairman of the kray trade-union council. "After all, by tradition this kray is considered conservative."

[Shirokopoyas] One must understand the psychology of the local resident. In the Kuban people always ate and lived better than those in the rest of Russia. It has chernozem and a favorable climate—agricultural work begins 1 to ½ months earlier than usually. It is obvious that the country's present economic situation is felt with special severity in the Kuban. We by no means have the cheapest products in Russia.

Why? Destructive processes are going on in the former model agro-industrial complex, though two-thirds of the kray's industry is oriented toward agricultural raw materials. However, we have already sunk so low that in the cow population the kray has reached the level of... 1915.

The economic collapse has struck primarily at the working man. He was thrown to the edge of the abyss: Survive, peasant, now you have a market! But this is not a market! There is a crisis of nonpayments and there are debts of the federal budget, which they do not rush to pay back... At some enterprises wages do not exceed 30,000 to 60,000 rubles. How much worse can it get?

[Zhurbenko] Hence, in my opinion, the change in human guidelines: from the economy to politics. At the Belorechensk Chemical Combine, which was famous at one time and which now virtually stands idle owing to the lack of raw materials, Lobov, a thoughtful and respected chairman of the trade-union committee, told me: "We are ready to vote even for the devil, if only this chaos ends." But you, as before, keep talking about the economy. Are you not behind the times?

[Shirokopoyas] Yes, we stubbornly do not go beyond the boundary of the economy. Taking advantage of the fact that the positions of trade unions are still strong in the Kuban, we control the situation. However, we warn the government with alarm: The patience of the people is not infinite.

For a start at least prices of energy sources for especially power-intensive production facilities should be frozen for a certain period.

I am convinced that the fuel and energy complex should be a state monopoly with strong state support, with the strengthening of its material base, and with economic incentives for the sector's workers. I proposed this at a meeting of the country's trade-union aktiv with V. Chernomyrdin in Moscow. It seems that they did not understand me, "explaining" that they have already traversed such a path and that it leads to a price explosion in other sectors. However, let us use a progressive tax system and a differentiated approach and then a selective price freezing will make it possible to stabilize the economy and to carry out restructuring.

Second. Today all priorities must be given to rural areas. There is a need for a thought-out investment policy, when there is not so much a commodity intervention of imports as modernization and renovation of our own production. Go to the village of Novomyshastovskaya and look at the oasis there. Having managed to buy processing equipment even before perestroyka, the Rossiya Kolkhoz in its minishops sorts and gets products—meat, milk, and vegetables—"into shape." It is a pleasure to look. However, this kolkhoz is among the few. There are more farms, which would be glad to buy minishops—and the defense industry produces them—but, alas, they have no money... Hence the conclusion: Help rural areas to get on their feet and support them. Then rural areas will not be in debt. Krasnodar Kray, Rostov Oblast, Stavropol Kray, and central chernozem regions are capable of feeding all Russia.

Well, finally, third—the tax system. Probably, such a system as ours does not exist anywhere in the world. It literally has chained the domestic producer hand and foot. There is a need for serious reform, which the State Duma hampers so thoughtlessly. In localities the situation reaches the point of absurdity: Huge fines are imposed on enterprises, because they are late with taxes, and they are late with taxes, because often the budget does not repay them its debts. We have the Kubanmetremstroy Joint-Stock Company. Last year it performed work at the expense of city budget funds and failed to receive 72 million rubles from it. On the other hand..., it paid 23 million of fines for being late. As people say, comments are superfluous. The question arises: Why should this problem not be eliminated through mutual settlements?

[Zhurbenko] Does the Kuban not demand exceptional conditions for itself? Don't you want too much from the authorities—pay debts, allocate funds for the sowing campaign, eliminate nonpayments, and increase minimum wages?... No, I am "for" with two hands, but one cannot fail to realize that others, that is, Siberia, the Far East, and the nonchernozem area, will also ask for such exceptional conditions. The situation of all of them is not better. They will say: Why does the Kuban have the "most favored nation treatment"?

[Shirokopoyas] You know, by nature I am a well-balanced person, but, in fact, I am beginning to be upset by such statements. First, we demand that debts be repaid to us—the federal budget owes the kray 100 billion rubles. Second, take the following into consideration: We, among 13 similar regions, form one-half of the country's budget. What is the Kuban today? It has the highest population density in Russia—64 people per square km; the largest number of refugees—half a million people; proximity to the Transcaucasian republics, the war in Chechnya, and the corresponding redeployment of troops...

And with all this the potential has not yet been lost. People have not forgotten the stable harvest of 50 quintals of wheat per hectare. Every llth tonne of grain and every 10th tonne of vegetables entering state resources are from the Kuban.

Should we, such "special ones," be helped? In the peasant family who did get the best piece of food? The strong worker. Because they knew: If he is on his feet, the family will also be fed.

*Drop in Birth Rate, Increase in Mortality Noted

954E0703A Moscow TRUD in Russian 16 Mar 95 p 2

[Article compiled by Olga Ganeyev, Aleksandr Isayev, Yuriy Kotlyarov, and Vladislav Pavlenko: "More Cradles Than Graves: The Birth Rate Is Falling and Infant Mortality Rising in Russia"]

[FBIS Translated Text] **At the same time that the birth rate in Russia has been slowly but steadily declining, the infant mortality figures have been rising. The country is gradually aging and starting to die out. Whereas in 1985 there were 17.2 births per 1,000, in 1991 there were only 10.8. In 1992 the mortality rate exceeded the birth rate of 9.2 births per 1,000.**

The slogan, "All the best for the children!", which even during the time of stagnation seemed like a kind of propaganda trick, today would sound like a mockery. Statistics, which are far from complete and not always reliable, provide the following "grave" results: whereas in 1990 there were an average of 17.4 infant deaths per 1,000 births, three years later the rate had risen to 18.6 infant deaths. At the same time, in Finland, Sweden, and Japan the rate is only 4 to 6 deaths per 1,000. As for the maternal mortality rate, according to the information of Academician Yu. Veltishchev, director of the Moscow Scientific Research Institute of Pediatrics and Pediatric Surgery, the Russian rate is five times that of the developed countries. Let us note that now the Asian regions of the former USSR, which always had high indices of infant and maternal mortality, have now dropped out of the statistics.

Unfortunately, local reports by our staff correspondents are not optimistic either.

The Disability 'Increment'

Today in **Rostov Oblast**, fewer than half the births are normal. The mortality rate among newborns rises daily. In Rostov-on-Don it is 23.4 percent. Nearly one in three beds in children's hospitals is occupied by patients with inherited diseases. Diseases of newborns account for 53.8 percent of all infant mortality. The number of disabled children is growing: lately this depressing "increment" has been reported at 2,000 per year. Now there are already more than 10,500 disabled children in the oblast. They also constitute the majority in children's homes, of which there are now eight in the oblast. The balance between the birth rate and the mortality rate continues to be negative. Last year the number of deaths exceeded the number of births by 26,400. The population is aging. Today there are 781 dependents per 1,000 able-bodied persons. All this requires great attention to the problems of health care, the family, and young people. A program devoted to children has been drawn up in the oblast, but so far, unfortunately, there is not enough money for it.

In **Perm Oblast**, specialists believe, the high level of infant disability and mortality is related to environmental problems. The region is one of the top 10 in Russia in terms of atmospheric pollution, which causes diseases of the respiratory system, tuberculosis, and allergies in children and teenagers. **One in every five children in the Kama region is born with abnormalities.**

Born Already Ill

A special Motherhood and Childhood Program is in place in the **Kuznetsk Basin**. The latest medical equipment is being purchased and installed. Serious attention is being given to early diagnosis of disease. All this is producing favorable results. Whereas in 1993 there were an average of 22.1 deaths per 1,000 infants under one year of age, last year there were 19.3. The preservation of mothers' life during pregnancy, childbirth, and the initial postnatal period has improved, too. Thus, in 1992 there were 106 deaths per 10,000 women giving birth, in 1993 there were 99.5 deaths, and last year there were only 63.5 deaths.

However, by no means does everything depend on the efforts and professionalism of medical personnel. The extremely grave environmental situation in the oblast, the deterioration in most families' financial situations, and, consequently, the imbalance in diets (many future infants suffer from protein deficiency while still in their mothers' wombs and are born already ill), and finally, indiscriminate sex life and alcoholism all contribute to the negative impact on the health of both mothers and children. Whereas in 1993, 710 per 1,000 pregnant women were ill, a year later the number had risen to 804. The number of ill newborns rose from 320 per 1,000 to 374 per 1,000 over the same year. Those are the children and mothers who received medical care. Yet how many simply treated themselves?

There Is Not Even a Polyclinic

Tyumen, the capital of an extremely rich petroleum and gas region, still does not even have an oblast children's hospital. Therefore a ward or two in adult hospitals, which are often located in old, makeshift premises that are in states of serious disrepair, are set aside for children who desperately need to be hospitalized. Can you imagine what it is like for sick children under such conditions? Granted, oblast officials react defensively to such expressions of indignation: a children's hospital, they say, is already being built, and the problem is close to being solved. Turkish workmen are building it according to a foreign design, and it will use imported equipment.

The members of the oblast committee on health care, however, are not this optimistic. In fact, they are depressed because the construction has been stopped. The reasons are easy to guess—the administration's "dollar pocket" has been depleted. Furthermore, some ideas about privatizing the partially completed facility have also popped up in bureaucrats' offices. Yet the problem is already obvious: there has been a rise in the number of chronically ill children, and that directly reflects the fact that Tyumen doctors have no ability to arrange for the intensive care of newly ill children in specialized centers and clinics.

Commentary by TRUD's Social Problems Department

The high indices of illness and mortality among children and mothers reflect, at the very least, obvious errors in the carrying out of economic reforms. The decline in the living standard, high prices, a shortage of medicine, the failure to solve social problems and, often, their outright neglect, and steadily growing unemployment naturally affect our life. If parents who go for months without being paid have to feed their children livestock feed that has been steamed, there is no need to even speak about those children's health and normal development. The mass of people are experiencing further impoverishment, which is bound to affect their health. Last year the increase in wages compensated for only 73 percent of the increase in prices, and all talk about indexing incomes and allocating money for the development of health care remains mere talk. Moreover, in connection with the decline in production, enterprises can no longer maintain their own polyclinics and preventive-treatment centers, Young Pioneer camps, or kindergartens.

The country's population is dying out, and it seems that we are beginning to reconcile ourselves to that. In any case, very little is being done by the authorities to strengthen the family and guarantee every citizen of Russia normal diet, normal medical care, and the basic living conditions that are worthy of a human being.

*Report on Activities of Ethnic Criminal Groups

954E0737A Moscow KOMMERSANT-DAILY in Russian 17 Mar 95 p 14

[Article from the Crime Department: "The Bandits Are Going Onto the Main Road. To a Grand Policy"]

[FBIS Translated Text] **An analysis of the crimes committed in Moscow during the last four years shows that the most significant growth in the number of migrant criminals is occurring with respect to the inhabitants of the Caucasus. According to MVD data, the number of crimes committed by people of Caucasus extraction grew by more than 50 percent during 1993-1995 alone. This has allowed law enforcement agency officials to begin talking about the appearance of several ethnic criminal groups in Moscow, which consist of natives of Georgia, Ingushetia, Chechnya, and other Caucasus republics. KOMMERSANT wrote in detail about the Chechen criminal group on 4 February. Today, KOMMERSANT analyzes the activity of other Caucasus groups in Moscow.**

The Face of Caucasus Crime

Besides the Chechen criminal groups, several other associations composed primarily of people from the Caucasus—Ingush, Armenians, Dagestanis, Georgians, Azerbaijanis, Ossetians, and Abkhaz—have been formed during recent years and are operating in Moscow. Each one is subdivided into smaller groupings, whose actions have a centralized character. The main feature of all the ethnic criminal groups is their formation principle—along national lines. The hit men, who form their backbone, have experience in conducting military actions that was acquired during the war in Afghanistan or the conflicts in the North Caucasus, and have excellently mastered all types of infantry weapons and explosive devices. Generally speaking, the "signature" of Caucasus crime is defined by the following features:

—the political orientation of the criminal groups; the connection of the criminal leaders with certain leaders of the Caucasus republics;

—an orientation toward committing economic crimes, primarily in the banking area. Gradually, the Chechens' experience in embezzlement using false bank remittances has been used well, primarily by the Ingush and Armenians. As a result, the majority of Moscow's commercial banks are under the control of the ethnic groups;

—the laundering of the stolen assets through foreign banks and their subsequent investment in large enterprises and commercial structures oriented toward the export of ferrous metals and petroleum products;

—as a rule, purely "criminal" crimes (robbery, murder, and extortion) have a subsidiary nature. The actions of the Caucasus people are noted for their cruelty and ruthlessness in these cases.

Besides the Chechen one, the Ingush, Armenian, and Dagestani criminal groupings, in which all the above listed features are inherent, are causing great concern among law enforcement agency officials.

Ingush Criminal Groupings

The Ingush criminal association was formed at the end of 1991 and the beginning of 1992 after the division of Checheno-Ingushetia into two independent republics. At the time, one of the Ingush criminal groupings (policemen call it the "Nazranovskiy") seriously concerned itself with the problems associated with establishing an independent Ingushetia. That is why the "Nazranovskiy" people began actively using the experience acquired by the Chechens in embezzling assets using false bank remittances. They engaged in embezzlement so actively that the MVD investigating committee officials, who investigated these embezzlements, began to say that the "Ingush had thought up the bank remittance method." Along with this, ties to the law enforcement agencies' leadership permitted even captured criminals to avoid criminal proceedings—KOMMERSANT described a case where the relatives of Akhmetkhan Kotiyev, an Ingush arrested for embezzling $9 million, got him out of prison. A former official of the Russian General Procurator's Office is suspected of helping Kotiyev's relatives.

The stolen assets were invested in the Ingush economy through legal commercial structures located in the Baltic countries, Spain, Italy, and Switzerland. The MVD has information that the "Nazranovskiy" people solved the problems of recruiting hit men and delivering weapons to Ingushetia during its conflict with North Ossetia. They even engaged in the purchase of spare parts for different types of weapons and night vision devices for tanks and artillery systems. MVD officials knew about this, but they were able to remove the weapons only once.

The total strength of the group is approximately 200 people. Its members practically never shine in purely criminal crimes. They also do not actively participate in gang wars. Nevertheless, at the end of 1992, one of their leaders, who uses the nickname "Aslan," quarreled with a Chechen leader known as "Vakha" (KOMMERSANT wrote in detail about this conflict on 4 February). The matter did not come to a gang war, as Vakha wanted—he and several members of his group were in the Butyrskiy SIZO [pre-trial confinement facility], where they sat for two years accused of kidnapping someone. At the end of last year, the court found them guilty of arbitrariness and released them after serving their sentence. There are rumors that Aslan left Moscow after the trial.

The second largest of the Ingush Moscow groups is the "Groznenskiy." It includes approximately 70 inhabitants of Chechnya's capital of Ingush nationality. The group specializes in selling stolen automobiles, racketeering, and theft. Along with this, the group put a number of commercial structures, which had begun helping the "Nazranovskiy" to embezzle monetary assets, under their control at the end of 1993. Since then, the group's leaders have experienced "a taste for money" and tried to place their people in large banks, but RUOP [rayon administration to combat organized crime] officials have prevented them.

The "Malgobekskiy" group numbers approximately 30 active members. It controls trade-middleman firms located in the vicinity of the Sokolniki Park of Culture and Rest. The "Malgobekskiy" people were recently able to take control of a joint enterprise and re-register it as a closed joint-stock company. Their leader became its general director.

In general, as MVD officials point out, Ingush criminal groups are avoiding criminal activity at the present time. This permits them to make investments in legal businesses and exercise control over large commercial structures. Moreover, after they declared the Ingush Republic a favored economic zone, the registration of enterprises in this zone and the subsequent placement of them under their control became a very profitable matter.

The Armenian Mafia

Armenian criminal groups, just like the majority of their odd jobbers, began their journey to big business with theft, robbery, apartment larceny, extortion, and motor vehicle theft. Gradually, the leaders of the groups have linked themselves with Armenian politicians and, just like the Ingush, have reoriented themselves toward economic crimes. However, one should point out that the Armenian groups have no problem with laundering stolen assets—they are instantly transferred to the United States to the accounts of commercial structures belonging to the Armenian community in Los Angeles.

Among the groups oriented toward economic crimes, Moscow RUOP GUVD [City Administration for Internal Affairs] officials have singled out Armen Manukyan's brigade, which was formed with the participation of an Armenian crime boss, Rafik Pogdasaryan, who is nicknamed "Svo." Manukyan was not squeamish about anything—he stole using false bank remittances and "Russian" checks, stole credits from commercial banks, etc. RUOP did not know how much he stole, but they said that it meant nothing to Manukyan and his people to replace a Mercedes-500 with a 600 model as soon as they felt that they were being watched. At the beginning of 1993, when the attention of the police absolutely prevented him from operating, Manukyan went to Los Angeles, hoping to live there comfortably for the rest of his life. GUVD officials arrested Svo but did not manage to obtain a statement from him—he died in 1993 in the Lefortovo SIZO.

Manukyan's plans were not destined to be carried out. The passport for travelling overseas, which he had purchased, was a counterfeit; the FBI immigration service put him in a federal prison in Los Angeles and reported him to the Russian authorities. They began to worry and asked that Manukyan be extradited. The question was resolved over the course of six months and, as a result, Armen Manukyan was moved from the Los Angeles prison to the Butyrskiy SIZO.

One should point out that it is not only the FBI that has had a run-in with Armenian crime. Garik Ter-Oganesyan and Nkrtich Martirosyan, members of the Armenian community, were arrested in March 1993 and charged with the murder of the Utsiyev brothers. Scotland Yard, which investigated the murder, concluded that the Armenian special services had organized and planned the crime.

Having arrived in London at the end of 1992 on a commission from the Government of Chechnya, Ruslan Utsiyev, an adviser to Dzhokhar Dudayev, hired an interpreter, guide, and adviser—33-year-old Gagik Ter-Oganesyan, who received an opportunity to be present during all Utsiyev's business discussions. When Ter-Oganesyan found out that Utsiyev was conducting negotiations to purchase 2,000 Stinger surface-to-air missiles for the Azerbaijan Army, he passed this information to representatives of the Armenian special services, who already had information about deliveries of Chechen weapons to Azerbaijan.

Shortly after this, Ashot Sarkisyan, who was—according to data from the investigation—a highly placed official in Armenia's KGB, arrived in London as chairman of Armenia's Chamber of Commerce. A little later, Nkrtich Martirosyan, who was summoned by Sarkisyan, flew into London from Los Angeles. They met with Ruslan Utsiyev in mid-February, wanting to persuade him not to conclude the deal. Utsiyev refused, and this signed his death warrant.

Martirosyan hired Ashot Detmendzhan, who was living in the Los Angeles Armenian community, to carry it out. A revolver was supplied from Russia for the murder. However, they did wait for Detmendzhan. On 26 February, Nazarbek Utsiyev lay in a hospital and Ruslan Utsiyev was killed that same day by three shots to his head in his own apartment. Two days later, Nazarbek, who had returned from the hospital, was killed while he slept. The police detained Martirosyan and Ter-Oganesyan after they attempted to convey the half decomposed bodies of the brothers to a country-house that belonged to the Chechens.

Ter-Oganesyan did not say a single word from the beginning to the end of the investigation. Nkrtich Martirosyan confessed that he was in the service of Armenia's KGB and was acting on the instructions of Ashot Sarkisyan. Immediately after this, the jailers found a small bag of snake venom in a parcel for Martirosyan. A little later, another small bag with snake venom which was sent from Armenia to Ter-Oganesyan's home address, was found in London customs. Then, Martirosyan began to change his testimony, constantly repeating to the investigators: "The KGB does not forget anyone." Several weeks later they found him hanging in a solitary confinement cell. The court sentenced Ter-Oganesyan to life imprisonment.

The examples cited above graphically demonstrate the cooperation that has developed between political structures in Armenia, Armenian criminal groups in Moscow, and the community in Los Angeles. RUOP officials suspect that the experience of participating in the political life of the United States is actively being used by the leaders of the Armenian groups in Moscow. They are trying to "invest" money in promising Russian politicians with the goal of advancing them to real economic positions of power. They also do not stint in bribing officials in law enforcement agencies and the courts.

In this connection, Russia's MVD officials do not rule out the fact that the 150,000 Armenians who are living illegally in Moscow could create their own community similar to the Los Angeles one. One should point out that this idea already came into the head of Armenian entrepreneurs, who wanted at the beginning of 1993 to propose to the Moscow Government the purchase of a large piece of land on the city's outskirts in order to establish a legal Armenian settlement, with its own police and security services. However, the leaders of other Caucasus groups did not like this idea, and the businessmen who proposed the idea were killed.

After this, the Armenian "police" had to move to an illegal position. The six criminal groups operating in Moscow number up to 500 well-armed people experienced in combat actions. When talking about the danger of the Armenian groups, one should also consider the high degree of the group authorities' control of group members, their well-developed skills in observation of security rules, and their discipline.

The Formation of the Dagestani Criminal Group

In the opinion of RUOP officials, the Dagestani criminal group was finally formed as an independent criminal association approximately a year ago. Before that, the representatives of Dagestan were basically engaged in carrying out the orders of the authorities in other ethnic Caucasus groups. The majority of the crimes committed by the Dagestanis during 1991 were theft, robbery, and larceny. The number of economic crimes committed by them had grown sharply by the end of 1993. The Dagestanis did not express anything new—all the same things: false bank remittances and the embezzlement of credits.

The groups spent the assets received on technical re-equipping: Their leaders began to ride in BMW's, Lincolns, and Mercedes, and the hit men were armed with automatic weapons.

The police say that the Dagestani criminal association was practically formed after the gang war near the Dagmos restaurant (March 1994). At the time, one of the Chechen groups was attempting to put the restaurant under its control. The Dagestanis did not agree and started a gang war. As a result, several people were killed on both sides; however, the Dagestanis did not give up the restaurant.

From that moment, the Dagestanis began actively buying real estate in Moscow and putting commercial structures under their control. Several of them are winning against the weakened organized crime groups, whose leaders have been killed or have had criminal proceedings instituted against them. The committing of crimes not only on Moscow's territory but also in the North Caucasus is a characteristic of the Dagestani groups: In 1994, the city procurator was taken hostage in Khasav-Yurt for the purpose of exchanging him for one of the criminal clan's leaders who was under investigation. "As a precaution," the building was attacked by two Mi-6 helicopters and then the procurator's building in Kyzyl-Yurt was blown up. They released the authority.

At the present time, four groups, which the police relate to the Dagestani community: "Piterskiy," "Krasnodarskiy," "Novgorodskiy," and "Irkutskiy," are operating in Moscow. It is impossible to say that the Dagestanis completely specialize in the commission of economic crimes—as before, they are taking a very active part in theft, robbery, and larceny.

Other Criminal Groups

Georgian, Abkhaz, Ossetian, and Azerbaijani groups are regarded as groups that have still not become formed and assumed final shape as large criminal associations. As a rule, crime bosses who are trying to stick to "thieves' traditions" head Georgian groups. This, however, does not prevent them from continually fighting among themselves and supporting close contacts with Georgian emigres who engage in criminal activity in America, Germany, Holland, Belgium, and Israel. It is practically impossible to talk about the specialization of Georgian groups operating in Moscow: They earn their livelihood by any means—extortion, larceny, robbery, theft, and the taking of hostages. The leaders of other Caucasus groups often hire them to commit some crime or other.

The leaders of the large criminal associations also hire Azerbaijanis, Ossetians, and Abkhaz to carry out their plans. Among these groups, the Azerbaijani ones, who have been able to put practically all the capital's food markets under their control, receive money from commercial houses, and sell narcotics, enjoy the greatest influence. At the same time, their attempts to move to a qualitatively new level still have not had any success: Law enforcement agency officials, among whom there are practically no ties with the Azerbaijanis, suppress their activity immediately. It is impossible, however, to exclude the fact that the groups are centralizing with the appearance of strong leaders and forming a serious competition for the formations that have taken shape.

*New Oil Refinery Company Planned

954E0721A Moscow KOMMERSANT-DAILY in Russian 14 Mar 95 p 9

[Article by Igor Spiritonov and Ananiy Dadoyev: "Elite Enterprises Want To Combine: A Plan for Establishing a New Oil Company"]

[FBIS Translated Text] **A council of the directors of the Omsk Oil Refinery Joint-Stock Company, which was recently convened, summed up the enterprise's work results for the year and declared them to be unprecedented—even when compared with the "period of developed socialism." Today this plant is not only one of the largest but also one of the best technologically improved ones in Russia. It is this that explains the interest in it from the French Paribas bank, which is well known for its bias toward petroleum, and also from Russian business circles, which are nurturing plans to establish a financial-industrial group based on one of the best oil-extracting enterprises in the country—the Noyabrskneftegaz Joint-Stock Company, the Omsk Refinery, and a number of other organizations. The recent initiative of the Noyabrskneftegaz leadership, which has become public knowledge and was submitted to the government, to form an oil company with an analogous structure testifies to the seriousness of these intentions. This is a new but, evidently, belated word in the struggle to divide the petroleum complex. I doubt whether the mutual sympathy of the elite enterprises will be legalized by the federal authorities.**

The plant started up in good time a unit for the deep refining of oil using a technology unique for Russia that permitted 4 million tonnes of fuel oil to be refined a year and an additional 2.1 million tonnes of diesel fuel and gasoline to be obtained, while reducing the consumption of crude oil by 2 million tonnes—the savings in this is $230 million a year. As a result, the plant plans to move this year to an 82-83 percent refining depth. This corresponds to the world level. The resources obtained from increasing production efficiency will be directed toward further technological re-equipping. According to the calculations of specialists, optimizing the oil refining cycle will permit the design production volume to be reached, using not the 26 million tonnes of crude oil, on which the plant counts, but 18-20 million tonnes a year. In the words of Ivan Litskevich, the joint-stock company's president, a credit agreement with the Paribas bank is extremely important for the refinery's development. According to such an agreement, the bank in fact carries out pre-payments for the plant's export deliveries (advancing the joint-stock company hard currency without collecting interest) and simultaneously accumulates payments from foreign consumers. The possibility of direct Paribas investments in the Omsk Refinery is not excluded in the future. The refinery is also not escaping notice within the country. It is one of the participants in the financial-industrial group, which is being established and in which the Neftekhimbank, Noyabrskneftegaz Joint-Stock Company and other enterprises that are consumers of Omsk petroleum products: the Krasnoyarskiy Aluminum Plant, Kemerovskiy Nitrogen Combine, and Belarusian man-made fiber producers, should also be included. In the opinion of Mr. Litskevich, the establishment of a financial-industrial group with such a composition should guarantee significant investments for the enterprises operating within it and "really wed production to banks." The plans for establishing such a group may appear strange when the government has still not made any final decisions regarding the division of the petroleum complex into companies: The Omsk Refinery and Noyabrskneftegaz may be in different organizations. However, the recent change in policy by Noyabrskneftegaz, whose leadership has proposed to the government the establishment of a new oil company composed of this joint-stock company, the Omsk plant, and the Noyabrskneftegeofizik Geological Enterprise, explains the situation. The document contains the idea of "keeping the company an open one in order to include other petroleum complex enterprises in its composition, considering the cooperation ties that have taken shape—a clear allusion to the Purneftegaz Joint-Stock Association, which was detached at one time from Noyabrskneftegaz and was recently withdrawn by the government from Sidanko. This initiative confirms the seriousness of the intentions of the new financial-industrial group's initiators, since this company is an indispensable condition for the group's existence. However, Noyabrskneftegaz is in the meantime behind Rosneft, Surgutneftegaz, and Sidanko in line.

*TU-330, AN-70 Supercargo Plane Designs Analyzed

954F1833A Moscow SEGODNYA in Russian 16 Mar 95 p 9

[Article by Mikhail Chernyshov under the rubric "Aero'-': "Airborne Trucks Collide in the Air and on the Ground. The TU-330 and AN-70 Planes Are Comrades Rather Than Competitors"]

[FBIS Translated Text] The loss of the AN-70, an experimental military transport aircraft, brought into focus a few acute side issues, in addition to everything else. In particular, the disaster indirectly affected the "fate" of the TU-330 civilian cargo airplane being designed by the imeni Tupolev ANTK [Aviation Scientific Research Complex]. At the ANTK, they believe that extensive publications concerning the AN-70 in the mass media fostered the mistaken belief among the public that the plane in question is the only aircraft within the CIS (Russian-Ukrainian-Uzbek aircraft) with a medium cargo capacity capable of performing cargo carriage in the load range of 20-30 metric tons on routes of 5,000 kilometers or longer.

The Tupolev company which until recently had kept a polite silence has now been forced to resolutely state, if not yell outloud, that it has in store another, purely Russian aircraft comparable to the AN-70 (at issue is precisely the TU-330). Moreover, on economic indicators the TU-330 is superior to the AN-70 because it was designed as a civilian cargo rather than military plane.

The truck was based on the TU-204 passenger liner. Only the bodies of these planes are different. The TU-330 is fitted with a cargo hold which houses, for example, three standard marine containers or 18 Zhiguli cars. The plane can carry pipes for gas pipelines and other long and high-volume products. The range of non-stop flight for the plane carrying 20 metric tons is 5,600 kilometers, and that for the plane carrying 30 metric tons—3,000 kilometers. The speed comes to 800-850 kilometers an hour. The plane uses two PS-90A engines.

If the TU-330 is compared to the four-engine AN-70 it is obvious that the latter is somewhat superior to the Tupolev design in terms of maximum range (up to 7,000 kilometers), cargo capacity (up to 35 metric tons), and especially its ability to take off from short dirt-surface runways (600 meters long). However, these advantages are due to the fact that originally, as has already been mentioned, the AN-70 was designed as a military transport airplane. Usually, a power reserve close to a factor of two, which is only necessary for taking off from short runways, is built into such aircraft. This "military" advantage leads to a substantial overconsumption of fuel in commercial transportation. The Tupolev design consumes about 140 grams of motor fuel per kilometer whereas this statistic for the four-engine AN-70 is 20 grams higher.

In the opinion of TU-330 Chief Designer Valentin Bliznyuk, the new Russian craft has been designed for the most common types of air carriage and ensures the best economic performance and the lowest operational expenditures when compared to planes such as the AN-12, IL-76, and AN-70.

Ukrainian engine producers have been advertising everywhere the D-27 airscrew-fan engines which are used in the AN-70, passing them off as the most economical in the world. The production of these engines has allegedly been mastered in Ukraine first whereas the famous British Rolls-Royce was not up to producing them. However, as the Tupolev staff believe, these aircraft engines cannot be considered a novelty because Tupolev has already dealt with such units, too. Second, airscrew-fan powerplants can by no means be classified as ultimately debugged and mastered by the aircraft industry of the world. The units are very hard to operate, the airscrews in particular.

Cooperation in the mass production of the AN-70, if such were to begin, would be complex. It would mean the delivery of materials, electronics, individual assemblies, and design elements by numerous manufacturers from at least three CIS countries. This, in addition to other things, complicates the servicing of the aircraft by ground crews during its operation. From this point of view, the TU-330 has an advantage over the AN-70 because the Russian aircraft has fewer suppliers and virtually all of its operational servicing is uniform with the TU-204.

The design of the Tupolev truck provides the opportunity for it to fly not only on regular jet fuel but also on liquefied natural gas. A switchover of the AN-70 to using an alternative fuel is virtually ruled out for a number of reasons.

Aviation specialists are now arguing over how much the resumption of work on the AN-70 will cost its designers. Sums ranging from 100 billion to 500 billion rubles are given. The estimates of the backlog of orders as well as the time frame within which the AN-70 may be realistically brought on line likewise differ. These polemics bewilder the Tupolev personnel primarily because they entirely obscure the future of the TU-330 airtruck, along with another craft, the TU-156, specifically designed to fly on liquefied gas.

Meanwhile, as early as April 1994 a resolution of the Government of the Russian Federation provided for expanding work on the two aforementioned aircraft. However, as has often been the case, good decisions have been forgotten, and funds from the budget for finishing the planes ceased coming. Nor can the company carry on the work with its own funds because manufacturing plants frequently cannot sell even finished liners, such as the TU-204, to Russian airlines because the latter have no money. Leasing the aircraft, which is frequently practiced by Western aircraft manufacturers, is likewise ruled out. Leasing presupposes the availability of certain reserve funds to the manufacturer. Meanwhile, Russian aircraft plants need cold cash badly. There is no cash, and this means that the designers do not have it, either. All the talk about a large backlog of orders for the AN-70 made up of the orders of military and civilian customers may, in principle, apply to the TU-330 which may just as legitimately be considered a "dual-use" aircraft.

Two points of view shine through in the polemics about the "relationship" between the TU-330 and the AN-70. Russian radicals believe that the authorities of our country are in essence allowing themselves to be sucked into a "black hole" absorbing funds from the budget by agreeing to finance the AN-70 whose design includes many technologies yet to be perfected. As a result, Russia will receive some kind of a scientific-technical base for possible future developments rather than a mass-produced transport aircraft.

A more moderate view states that each of the planes is optimal for its own load range and for tasks of a certain class. This is why they should not be set against each other by one being favored and the existence of the other being thoroughly forgotten. Meanwhile, this is precisely what is happening at present. It is precisely our own child that is being abandoned.

*Railway Minister on Strengthening Sector Cooperation

954E0686A Moscow GUDOK in Russian 14 Mar 95 pp 1-2

[Article by RF Railway Minister G. Fadeyev, chairman of the Council on Railroad Transport: "To Strengthen Railroad Cooperation"]

[FBIS Translated Text] **Three years have passed since the adoption of the decision on the formation of the Council on Railroad Transport and its executive body—board of directors—by heads of governments of Commonwealth member states. Life has confirmed the correctness of the adopted decision. The Council on Railroad Transport at its meetings, of which 12 have already been held, examined the broad ranges of problems of coordinating the operational activity of railroad administrations connected with ensuring freight and passenger transport in interstate communication.**

A number of normative documents regulating passenger and freight transport have been drafted. They include agreements on the transport of passengers, luggage, and passenger train freight, on the use of railroad passenger cars, on financial responsibility for the failure to ensure the movement of passenger trains in interstate communication, and on the joint operation of the "express" automated management system.

The new procedure for the drawing up of shipment documents and settlements for freight shipments in interstate and international communication was introduced as of 1 May 1994. It corresponds to international principles of settlements under conditions of the market economy.

Every year railroad administrations with the coordination of the council and the board of directors jointly work out the traffic schedule and the plan for the formation of freight trains, which are the technological basis for the unity of railroad transport operation. A new plan for the direction of railroad car flows, which provides for the crossing of a minimum number of border lines, has been prepared. Principles of operation of interstate railroad junction points have been established. Rules of determining the volumes of freight shipments and other documents for the organization of operational work in interstate communication have been adopted.

Of great importance are decisions on the application of uniform provisions of the Rules of Technical Operation, of the Instruction on Signaling, and of the Instruction on Train Movement and Shunting Work and [decisions] on the preservation of a common information space of railroads.

The council paid considerable attention to the development of tariff policy on freight shipments under the changed economic conditions. As a result, a common tariff space was established with due regard for the existing transport market conditions, as well as of the economic interests of railroads of Commonwealth member states.

The council adopted decisions on individual social and other problems. For example, the existing procedure for the issue to railroad transport workers of Commonwealth member states, Lithuania, and Estonia of official tickets and tickets for personal needs for travel in interstate communication on the railroads of these countries has been retained. In order to reward the most distinguished railroad workers, railroad administrations decided to retain the highest professional award—the badge "To the Honored Railroad Worker"—with the granting of privileges to those to whom this badge was awarded. Taking into consideration the important role of the newspaper GUDOK and of the general sectorial journals ZHELEZNODOROZHNYY TRANSPORT and ZHELEZNYYE DOROGI MIRA in the illumination and solution of economic, scientific-technical, and practical problems concerning the operation and development of railroad transport, it was decided to give support to these publications in subscription and financing.

At the 12th meeting (10 December 1994) the council adopted the decision to widely expand the work on the preparation for the celebration of the 50th anniversary of the victory in the Great Patriotic War of 1941-1945.

Problems of ensuring the submitted shipments and of using the rolling stock are examined at council meetings regularly. In accordance with this a prompt solution of problems concerning the organization of shipments and transfer of trains and railroad cars through interstate junction points occupies a significant place in the work of the council's board of directors.

The council pays special attention to the fulfillment of the decisions of councils of heads of states and of councils of heads of CIS governments. In accordance with the interstate agreements adopted in 1993 the stock of freight cars and containers was divided and economic responsibility for their use under conditions of joint operation was introduced in September 1993. Under the new conditions this made it possible to realize the mechanism regulating the location of the rolling stock at railroads and of its prompt dispatch to places of freight departure.

The decision on measures to ensure the safety of passengers and train brigades and the preservation of freight and of the rolling stock in interstate shipments adopted by the Council of Heads of Governments contributed to the stabilization of the situation in railroad transport.

All the work carried out within the framework of the council, with the active participation of all railroad administrations of Commonwealth member states, as well as of Latvian, Lithuanian, and Estonian republics, made it possible to preserve the technological unity of the railroad network and to ensure in 1992-1994 freight and passenger shipments both in internal and in interstate communication in the required volumes and contributed to the solution of the economic and social problems of these states.

Unfortunately, attempts at solving political regional problems through an effect on the operation of railroad transport affect shipments negatively. Owing to this, the movement of passenger and freight trains between Azerbaijan and Armenia in the direction of Mindzhevan-Dzhulfa-Sharur, between Russia's North Caucasus Railroad and the Georgian Railroad at the Veseloye junction point, and between North Caucasus and Azerbaijan railroads at the Samur junction was stopped for a long time. In reality, owing to the existing situation, Azerbaijan, Armenia, Georgia, and republics of the Russian Federation in the territory of the North Caucasus at present do not have interstate railroad communication for passenger and freight transport, for the normal functioning of industrial enterprises, and for life support for the population.

There are also other serious difficulties and unsolved problems in railroad operation.

The introduction at junction points of border and customs inspections without the use of a uniform technology of performance of these operations has led to long, unjustified delays, especially of passenger trains. In addition to inconvenience for passengers, railroads incur losses of many millions owing to the need to form and to put into circulation additional trains on account of the slowing down of the train movement.

There are frequent cases of cancellation of the circulation of interstate passenger trains owing to the criminogenic situation in some regions. The escort of passenger trains by militia detachments has not been organized in a number of places.

In order to eliminate these shortcomings, it is necessary to organize a more perfect system of border control and customs inspection of trains at interstate border crossings (control during the movement of trains and elimination of the duplication of control operations in territories of neighboring states), as well as not to slacken attention to ensuring the safety of passengers, train brigades, freight, and the rolling stock in accordance with the decisions of the Council of Heads of Governments.

Provision with diesel fuel and oil for train traction has become a problem. The fuel shortage is constantly felt on the railroads of Kazakhstan, Ukraine, and Moldova. As a result, in 19 diesel locomotive runs traffic has stopped completely and in 10 it has been limited sharply, which has led to an increase of 200 to 500 km in the distance of shipments in connection with their switching to electrified runs and to an increase in the freight delivery time.

The situation with the technical state of freight cars causes special alarm. This is the consequence of the unsatisfactory fulfillment of the agreement on the division and joint use of the stock of freight cars in the part of ensuring their proper technical state, prompt replenishment, modernization, and repair.

Normalization of the rolling stock is envisaged through its renovation as a result of the purchase of new cars and elimination from the inventoried stock of those whose service life has ended, as well as prompt repairs. However, statistical data on the change in and state of the inventories stock for joint use indicate that the purchase and normalization of the rolling stock are carried out at low rates. During the period from the moment of division of the rolling stock among states its purchase decreased sharply. Whereas in 1990 a total of 54,300 new freight cars were purchased, in 1993, only 14,500 and in 1994, a total of 9,900. At the same time, Russia's railroads purchased 10,400 and 7,600 railroad cars and

Ukraine's, 3,900 and 2,200 respectively. The rest hardly purchased them, although they eliminated them from the inventoried stock. As a result, during 4 years the inventoried stock of railroad cars for joint use decreased by more than 150,000 units.

According to calculations, at such rates of renovation of the rolling stock by the year 2000 it can be reduced by 350,000 to 400,000 units and there will be a real danger that freight shipments will not be ensured.

The low rates of normalization of the existing rolling stock by virtually all railroad administrations have led to a sharp increase in the number of defective cars. In December 1994 the balance of defective cars amounted to 300,000, which was almost threefold more than in 1991.

The locomotive stock is also aging owing to the reduction in the rates of its renovation. The shortage of funds owing to the constant decrease in shipment volumes does not enable railroad administrations to purchase the necessary quantities of rails, ties, fastenings, and switches, which has led to a decrease in the repair of tracks and other technical facilities. As a result, the number of warnings about limiting the speed of train movement in 1994, as compared with 1993, increased by more than 1,000 units.

In order to rectify the situation, the Council of Heads of Governments of Commonwealth Member States, at the suggestion of the Council on Railroad Transport, in 1994 twice examined the state of affairs in railroad transport. In September they adopted the Agreement on Cooperation in the Area of Retooling and Renovation of the Rolling Stock and in December, the decision On Measures To Improve the Operation of Railroads of Commonwealth Member States, which states openly that railroads need state support. On 18 January 1995 the Council on Railroad Transport approved a plan of measures to fulfill the decisions of the Council of Heads of Governments.

Of great importance is the development in Commonwealth member states during the first quarter of 1995 of programs for state support for railroads concerning the maintenance of their technical facilities, primarily freight and passenger cars, locomotives, the motor-car rolling stock, railroad tracks, track equipment, and electric supply, contact system, signaling, centralization, block system, and communication devices, in working order and concerning the use of the existing repair rolling stock base; as well as concerning the realization of the Agreement on Cooperation in the Area of Retooling and Renovation of the Rolling Stock of 9 September 1994. These documents must be submitted to the government for approval.

In order to stabilize the situation in the maintenance of technical facilities, it is necessary to see to it that all managers of railroad administrations apply maximum efforts and to strive for a complete fulfillment of these decisions. It is no less important to strive for the fulfillment of the decision on the organization of the priority supply of fuel and energy resources, oils, and lubricants for the needs of railroad transport.

The Council of Heads of Governments approved the plan of measures, prepared with the participation of the Council on Railroad Transport, for the performance of work at the section of the Veseloye Station of the North Caucasus Railroad in the Russian Federation-the Samtredia Station of the Georgian Railroad for the restoration of through railroad traffic. The mechanism of financing of this work has been determined. Its practical realization directly by interested parties is needed.

In accordance with the decisions of the Council on Railroad Transport work will have to be done on improving the use of railroad cars and containers and ensuring freight shipments. Special attention must be paid to the organization of the operation of the isothermal rolling stock and of the shipment of perishable goods. For these purposes it is necessary to more rapidly complete the introduction of automated systems for recording railroad cars and containers and to establish efficient control to prevent the running of defective rolling stock.

Fulfilling the decisions of the Council of Heads of Governments on problems of passenger transport, it is necessary to significantly raise the level of movement of passenger trains in interstate communication and of passenger service and to ensure their safe running.

In order to carry out all this work, it is very important to continue the labor traditions of railroad workers and to strengthen cooperation among railroads. The 3-year experience in the work of the Council on Railroad Transport makes it possible to draw the conclusion that the correct organizational form of operation of railroads in interstate communication was found at one time. The task lies in developing and improving it constantly.

The work done within the framework of the council is a good basis for the accomplishment of the difficult tasks facing the railroads of Commonwealth states in ensuring shipments under the new economic conditions.

International Affairs

*SOTSIS-Gallup Poll on War in Chechnya

954K0521A Kiev DEMOKRATYCHNA UKRAYINA in Ukrainian 2 Mar 95 p 2

[Article by Oleksandr Stehniy, candidate of historical sciences: "What Do They Think in Ukraine About the Chechen War?"]

[FBIS Translated Text] **The SOTSIS-Gallup sociological service polled 1,200 people from all the republic's regions. The number of those surveyed is representative of the adult population of Ukraine in terms of such criteria as age, sex, educational level, and type of population center in which they reside.**

The prevailing majority of the population of Ukraine reacted negatively to B. Yeltsin's decision to send troops into Chechnya. Only 9 percent approved of this decision.

The attitude of the population of Ukraine to the sending of Russian troops into Chechnya:

Negative—74 percent
Positive—9percent
As positive as negative—8 percent
Do not know—9percent

The regional breakdown shows that the most confirmed opponents of the dispatching of Russian troops into Chechnya live in the Western and Northwestern regions of Ukraine and in the capital of Ukraine. At the same time, residents of Crimea are not as firmly opposed to solving the Chechen crisis by force. Here, 16 percent of those surveyed supported the decision of B. Yeltsin to send in troops, every fourth respondent could not offer an opinion, and only a little over half the respondents expressed a negative attitude toward the step taken by the Russian leadership.

The prevailing majority of respondents, regardless of nationality, expressed a negative attitude to the sending of troops into Chechnya. But the percentage of supporters of using force to solve the problem among representatives of the Russian nationality was double the percentage of Ukrainians supportive of the use of troops (14 percent as against 7 percent).

More than three-quarters of the respondents regard the sending of Russian federal troops into Chechnya as an ineffective measure, because it will further exacerbate the situation in this region of unrest in Russia.

Of particular interest is the position of respondents on the question of preserving the integrity of the Russian Federation and how this should be accomplished. Half of those polled agree with the statement that the leadership of a country must implement a policy that would preclude the desire to separate. More than one-third support the right of every nation to have its own state. Only 6 percent support the preservation of the integrity of the state at any cost.

National Affairs

*Pustovoytenko on Executive Authority, Constitution

954K0501A Kiev URYADOVYY KURYER in Ukrainian 2 Feb 95 p 5

[Interview with Valeriy Pustovoytenko, minister of the Cabinet of Ministers of Ukraine, by Viktor Rybachenko; place and date not given: "What Will Ensure Stability"]

[FBIS Translated Text]

[Rybachenko] Valeriy Pavlovych, we know that you were born in the Year of the Pig. Popular belief therefore has it that this is the year in which your dreams and hopes will come true. What do you dream about?

[Pustovoytenko] A change for the better. And I wish the same to our people and to the Ukrainian state. I am well aware how difficult our life is as a result of all the problems that plague us—in the economy, in the social sphere, and in our everyday life. Frankly, life is hard for people these days. But I am confident that things will get better. Because of their hard work, consciousness [svidomist], and suffering, our people deserve a better life, and their life will get better very soon.

This is what I dream of and what I yearn for with my whole soul—that this should happen in the shortest possible time.

[Rybachenko] In your opinion, what needs to be done for this to happen?

[Pustovoytenko] Many factors play a role in improving our life, of course, but I would rank unity and accord among all the branches of government first. Historical experience shows that a people capable in difficult moments in its life of uniting around the main cause and of supporting the constructive efforts of its government will attain its goal without fail and surmount any kind of crisis. At the same time, the ambitions of certain political forces, social dissension, a struggle for power, and the purposeful discreditation of any action taken by the government weakens this unity and introduces elements of uncertainty and a loss of confidence in the social consciousness.

I recall what I felt when I attended the Bavarian beer festival during a visit to Germany at the end of last year. What struck me most was the people's sense of unity as a nation, the presence of some sort of unifying spirit that helped people to feel that they were part of a single community, that they were Germans, and to be proud of this and revel in this. In contrast, we are forever bickering, quarreling, dividing up something, thereby weakening ourselves. Therefore, in the new year, I wish us all greater unity—in the civic and political sense, as well as in the purely human sense.

[Rybachenko] In your opinion, what should the government's main objective be this year?

[Pustovoytenko] Naturally, the main and ultimate objective is and will be to improve the life of the people. But this is not a task that can be accomplished in a year; it serves us as a constant guidepost. Whereas we need political and state stability to ensure that economic changes designed to improve our life occur at a faster pace. All our efforts must be directed toward that end. To achieve this goal, in 1995 we must finish passing the bills that will create a broad legal foundation for the policy of reforms proposed by the president. For its part, the government is doing everything that needs to be done to ensure that the process of securing reforms in the law becomes more dynamic. Experts from the Cabinet of Ministers and the ministries and departments have been working on a tight schedule literally from the very first days of the new year to draw up and submit to the Supreme Council bills whose passage will make it possible to successfully carry out the strategic plans for reforming Ukraine. Recognizing the extreme importance of the timely and uninterrupted flow of draft bills to parliament, we are keeping a close watch over this process. I believe that the Cabinet of Ministers will do everything within its power to ensure that the reform process is furnished promptly with a strong legal basis. This will guarantee the positive changes so anxiously awaited by our people and so badly needed by our country.

We need to devote particular attention to providing social protection for the people, especially those strata of the population that are poorly provided for, pensioners, invalids, families with many children, students. Concern for our war veterans and our filial debt to this heroic generation, which we are obligated to repay, assumes great importance on the eve of the 50th anniversary of the Great Patriotic War.

[Rybachenko] Valeriy Pavlovych, which laws do you think should be passed first?

[Pustovoytenko] The list of laws that need to be passed this year has been published, and the public can draw its own conclusions. The schedule for drawing up draft bills that the president approved needs to be met, and as they are completed, they will be submitted to the Supreme Council. But I doubt that I will be wrong in saying that the most important of these is the Law on Power and Local Self-Government, the draft of which, as submitted by the president, was passed by the Supreme Council in the first reading on the eve of the New Year. The crucial significance of this law is that only after it is passed will the state mechanism become functionally effective. You do not need to be a lawyer or a political theorist to understand that unless there is a clear division of powers, and unless there is a strong, flexible hierarchy of executive power controlled from a single center, it is impossible not only to conduct large-scale reforms, but even to carry out routine government functions. The executive branch needs to be able to make decisions efficiently, especially with respect to social and economic issues—for example, raising pensions, stipends, cash benefits to those who are poorly provided for, etc. People know from their own experience that there can be nothing worse than anarchy—a situation in which urgent problems are long left unsolved, in which no one is responsible for anything, no one is afraid of anybody, and a person has no one to complain to when important matters affecting the security of his life are not being solved.

The Law on Power and Local Self-Government proposed by President L. Kuchma has as its goal to create a clear, effective legal basis that would make government effectual, responsible, and just, a basis that would ensure that every government representative understands what he is responsible for, what his powers are, and what it is that his powers require him to do specifically to better the life of the people.

[Rybachenko] What is your opinion of the constitutional process in Ukraine?

[Pustovoytenko] The adoption of a constitution by any country is the very foundation, the cornerstone, of all state activity. And the fact that Ukraine still has no constitution that would, on the one hand, answer to the present needs of independent Ukraine and, on the other hand, serve as a guide for the future, obviously hampers the functioning of the state mechanism and the life of society in general. It is the disparity between the old, patched constitution and today's realities that the president's proposed Law on Power hopes to eliminate, and it is for this reason that it is called the Small Constitution. However, there is a pressing need for a constitution that is the Fundamental Law, governing the life of sovereign Ukraine. It would be a very good thing if it were adopted this year. There is ongoing discussion within society and political parties of various orientations regarding which entity should adopt the new constitution, who is legally most competent to adopt it—the Supreme Council, a special Constitutional Assembly, or another body? Without entering into this discussion, allow me to say one thing: The Constitution of Ukraine should be ratified by a referendum as confirmation of nationwide support. This would give the constitution the greatest degree of legitimacy, and the government acting under this newly adopted constitution would have full confidence and legal freedom of action based on the knowledge that its powers are endorsed by the public. There would thus be a single "People—Constitution—Authority" system, which would create substantially better legal conditions for state life in general and government activity in particular.

[Rybachenko] Valeriy Pavlovych, you head the apparatus of the Cabinet of Ministers of Ukraine. You are therefore fully qualified to judge how the executive branch should be structured in today's conditions to allow it to carry out the tasks that it has been charged with.

[Pustovoytenko] This is an extremely complicated question, and it probably requires a separate conversation.

But, to put it briefly, the best structure of executive power has already been worked out. The principle of the separation of powers put forward at one time by the French thinker Montesquieu requires that each branch of government do its own job and that within its sphere of activity it possess clear and sufficient powers to carry out comprehensively the tasks that it is posed by the people and the times. Executive authority, in particular, must be identical to its own political and administrative nature. This means authority not for the sake of power as such, but for the sake of the people, for the sake of making their life easier, for the sake of social progress.

The executive branch should be headed by the president of Ukraine, and all its structures and leaders must be wholly subordinated to the president. Entrusted with all the powers confined in the executive branch, the president, in turn, will carry full responsibility for the results of the activity of this branch. This will be logical, rational, and expedient.

Obviously, the effectiveness of the work of the executive branch depends not only on its structure but also on those who man this structure. Individuals need to be brought in who will perform the tasks set by the people. Many new people who are qualified experts with a reformist and modern way of thinking have recently come into the executive branch structures. These new people should breathe some freshness into the executive structures, which should combine a large amount of experience, including experience of working in the state machinery, on the part of people who have a long record of service and skills, and production experience and a fresh approach on the part of the new workers who have joined the state apparatus from modern production, politics, and science. But these new people need a certain amount of time to adapt and attain their full capacity. A stable staff of people is a guarantee of stable and effective work. It would therefore be desirable to complete filling the personnel roster of the executive branch in 1995.

[Rybachenko] What do you consider to be especially important to the work of the apparatus of the Cabinet of Ministers this year?

[Pustovoytenko] There are many important things, but I consider improving the level of work as one of the most important, especially strengthening controls over the execution of the laws of Ukraine, the edicts and directives of the president, and the government's decrees and decisions. The apparatus of the Cabinet of Ministers must play an integrating role, combine the efforts of ministries, committees, and departments, and ensure that their work is directed at improving the life of the people. Working for the people and in the name of the people—this is the alpha and omega of all our activity, and we always keep this in mind.

The more quickly and successfully we carry out the tasks set out in the president's reform program, the sooner and more fully the people will feel the positive changes in our life.

[Rybachenko] Thank you, Valeriy Pavlovych, for this interview, and we sincerely wish you success in carrying out what has been planned in the shortest time possible.

*Kuchma Overturns Meshkov Edicts

954K0520A Kiev URYADOVYY KURYER in Ukrainian 25 Feb 95 p 2

["Edict of the President of Ukraine: Concerning Certain Edicts of the President of the Autonomous Republic of Crimea"]

[FBIS Translated Text] The president of the Autonomous Republic of Crimea has issued a series of edicts that are not in line with the constitution and legislation of Ukraine.

Edicts issued on 15 April 1994 approved the Statute on the Permanent Representation of the Republic of Crimea and the Statute on the Service of the President of the Republic of Crimea on Security and Interstate Relations.

These edicts contradict Article 75-I of the Constitution of Ukraine, in accordance with which the Autonomous Republic of Crimea may act independently only within the limits of its jurisdiction. Decisions on foreign policy and security do not fall within its purview, and the highest bodies of state government of this republic may not adopt decisions regarding these matters. By a directive of the president of Ukraine, responsibility for the security of the president, the chairman of the Supreme Council, and the prime minister of the Autonomous Republic of Crimea has been entrusted to the internal affairs organs.

An edict issued on 6 September 1994 entrusts the functions of state executive authority on the territory of the rayons and cities of the Autonomous Republic of Crimea to the leaders of the executive branch, who have been renamed heads of administrations, approves the Statute on the Head of the Executive Branch of Power of the City (Rayon) of the Autonomous Republic of Crimea, and extends this Statute to cover the heads of administrations of villages and rural settlements, who are appointed and dismissed by higher-ranking heads of state executive authority.

Three edicts were passed on 9 September 1994 which terminate the activity of the Supreme Council of the Republic of Crimea on the territory of the Republic of Crimea and of the rayon, city, and city district councils; repeal the mandates of the deputies to these councils; schedule a referendum to be held on 9 April 1995 on the draft constitution of the Republic of Crimea; declare the heads of executive committees in rayons, cities, and city districts to be the heads of administrations of rayons, cities, and city districts.

In accordance with acting legislation of Ukraine, the early termination of the powers of the Supreme Council of the Autonomous Republic of Crimea and of the local councils of people's deputies is the exclusive right of the Supreme Council of Ukraine (Article 5 of the Law of Ukraine "On Forming Local Bodies of Government and Self-Government"). The constitution of the Autonomous Republic of Crimea does not provide for and the law on the president of this republic directly forbids the president of the Autonomous Republic of Crimea to terminate the activity of the Supreme Council.

The described edicts lead to the abolishment in the Autonomous Republic of Crimea of the democratic principles on which power is based in Ukraine, and contradict Chapter 14 of the Constitution of Ukraine, which defines the organization of the formation and activity of the local councils of people's deputies, as well as the Law of Ukraine "On Local Councils of People's Deputies and Local Self-Government" and the Law of Ukraine "On Forming Local Bodies of Government and Self-Government."

Under Article 12 of the Law of Ukraine "On All-Ukrainian and Local Referendums," decisions on conducting local referendums fall under the jurisdiction of representative bodies—the councils of people's deputies—and not under the jurisdiction of executive bodies.

Based on the above and in accordance with Point 7-2 of Article 114-5 of the Constitution of Ukraine, I hereby RESOLVE:

To revoke as contrary to the constitution and legislation of Ukraine the following edicts of the president of the Autonomous Republic of Crimea:

of 15 April 1994 "On Approving the Statute on the Permanent Representation of the Republic of Crimea";

of 15 April 1994 "On Approving the Statute on the Service of the President of the Republic of Crimea on Security and Interstate Relations";

of 6 September 1994 "On Appointing Heads of State Executive Power in the Rayons and Cities of the Republic of Crimea";

of 9 September 1994 "On the Organization of the State Administration in the Republic of Crimea during the Period of Preparing for and Conducting the Referendum on the Draft Constitution of the Republic of Crimea";

of 9 September 1994 "On the Referendum on the Draft Constitution of the Republic of Crimea";

of 9 September 1994 "On the Heads of Administrations."

[Signed] President of Ukraine
L. KUCHMA
Kiev
21 February 1995

Economic Issues

*SOTSIS-GALLUP Poll on Attitudes Toward Privatization

954K0531A Kiev URYADOVYY KURYER in Ukrainian 11 Mar 95 p 7

[Article by Candidate of Historical Sciences Oleksandr Stehniy, leading research associate of SOTSIS-GALLUP: "A Society on the Path of Reforms"]

[FBIS Translated Text] **The SOTSIS-GALLUP sociological service has been studying public opinion in Ukraine for more than two years now. Since May of last year it has been an associate member of Gallup International, the organization that is known throughout the world as an international center for the study of public opinion. At present, SOTSIS-GALLUP is virtually the only sociological service in Ukraine to monitor public opinion with a frequency of 10 times a year.**

The present article is based on the results of surveys taken by the Ukrainian sociological service SOTSIS-GALLUP toward the end of last year and the beginning of the new year on a nationally representative sample on such attributes as age, sex, educational level, and so on. A total of 1,200 people in all regions of Ukraine have been polled.

The Market Economy or a Bright Past?

As sociological research in recent years, especially after the proclamation of independence of Ukraine, indicates, the fundamental choice of the most general market development mode made by the population of our country is quite stable.

In particular, as of the beginning of this year, the attitude of 38 percent of those polled toward the implementation of a market reform was favorable (the attitude of 18 percent was unfavorable). One-third favored market-oriented transformations of a gradual nature, and one in four believed that accelerating changes would be feasible. Twenty percent of the supporters of restoring the disturbed foundations were discovered.

It is important to notice that more than one-half of those polled took an optimistic view of their future in the environment of a market economy, whereas close to one-third were pessimistic.

As far as the pace of reforming the Ukrainian economy is concerned, one in four people polled agrees with the statement that "the reform should be implemented resolutely and swiftly." At the same time, one-third of the respondents believe that "the reform should be implemented gradually." One in five participants in the survey was looking to the Soviet past because, in their opinion, "it is not the reforms that are needed, but a renewal of the disturbed foundations."

Income level is one of the key factors responsible for opting in favor of the market-economy model. Some 57 percent of those polled in the group with higher than average incomes came out in favor of a market economy, whereas in the group with below-average incomes—33 percent. The youngest and the best educated, generally the most socially mobile and economically active segment of Ukrainian society, want market reforms carried out the most.

An analysis of the attitude of various socioprofessional groups toward reforms in the economy indicated that an overwhelming majority of them favor a market economy, although to different degrees. Retirees are an exception; their thinking is actually split down the middle: 25 percent are in favor of a market economy and 26 percent are against.

The regional pattern of support for market-based transformations has also turned out to be uneven. Thus, pro-market attitudes are most characteristic of the residents of western regions, whereas opponents of such measures are concentrated in the Crimea and the Eastern and Southeastern Regions.

The January poll indicated a generally favorable reception for measures such as the privatization of land, housing, small industrial enterprises, trade outlets, and public catering facilities. However, the fate of large industrial enterprises is fundamental in market-oriented transformations, because the economy remains monopolistic and incapable of real competition as long as the ownership of these enterprises is concentrated in the hands of the state. Therefore, privatization of small-scale property alone will not change the essence of the economy (the former socialist countries of Eastern Europe are a case in point). Meanwhile, only 27 percent of those polled are inclined to take a favorable view of "large-scale" privatization.

The attitude of the citizens of Ukraine toward the denationalization of property in a way parallels the levels of support for certain types of economy. Thus, 21 percent favor the market-economy model, whereas only 12 percent favor a planned economy. At the same time, close to one-half (43 percent) consider themselves supporters of a mixed economy. As we can see, the caution with which the "common people" see the loss of leading positions in the economy by the state is a factor, because the current process of "grab-it-ization" gives grounds for them to feel this way.

In conjunction with this, it is worthwhile to refer to public opinion concerning the decision of the Supreme Council to temporarily suspend privatization in Ukraine. One-fifth of those polled agree to the immediate suspension of privatization, whereas a majority (51 percent) come out in favor of privatization. At the same time, a considerable proportion of the supporters of privatization (39 percent) link its continuation with the need to considerably strengthen control over its course.

As we assess the overall favorable attitude of Ukrainian population toward a market economy, we should be mindful of the staying power of certain stereotypes in the mass consciousness that we inherited from the communist past. This concerns first of all the fact that the democratic and pro-market orientation proclaimed by the population collides with the entrenched paternalistic stereotypes of the mass consciousness. Thus, in December of last year, 70 percent of the respondents were inclined to believe that protecting people from financial hardship should be the task of the state. At the same time, few people (23 percent) agree to ensure living conditions for themselves independently of the government. A majority of the population expects the state to provide health care and drugs free of charge, and only 19 percent agree to personally pay for treatment. Such stereotypes of the mass consciousness are advantageously exploited by neo-Communist circles in order to hamper the market reform.

What is your attitude toward privatizing the following (percentage points)?

	Rather unfavorable	Hard to say whether it is favorable or unfavorable	Rather favorable	Do not know
Land	15.8	14.4	62.8	7.0
Housing	8.2	12.3	73.5	6.0
Large industrial enterprises	33.8	23.6	27.3	15.3
Small industrial enterprises	15.2	14.6	57.8	12.4
Shops, restaurants, cafes, etc.	16.9	15.3	57.3	10.5
Health care facilities	48.7	18.7	21.5	11.1

SOTSIS-Gallup Poll on Price Liberalization, National Currency

954K0517C Kiev DEMOKRATYCHNA UKRAYINA in Ukrainian 4 Mar 95 p 2

[Article by Oleksandr Stehniy, lead scientific associate of Sotsis-Gallup and candidate of historical sciences: "On the Threshold of Total Voucherization"]

[FBIS Translated Text] Following is a continuation of the article published on 21 February about the comprehensive public opinion poll conducted in Ukraine in connection with economic reforms and the attitudes of the public towards these reforms.

2. Price Liberalization

More than one-third of those polled agreed that price liberalization is a necessary measure. However, nearly half the respondents expressed the opposite view. Moreover, the younger the respondent, the higher the level of understanding of the need for price liberalization, and vice versa.

As the results show, the greatest supporters of free prices are representatives of the management sphere and students, while the attitude to price liberalization among other socioprofessional groups is generally, with some small variations, cautiously moderate. Pensioners are the exception; one-third of them categorically opposes free prices.

A regional cross-section also registered a polarization of opinion regarding free prices. In Kiev, the 27 percent of unequivocal supporters of price liberalization were offset by the 32 percent of equally steadfast opponents of this measure. In other regions of Ukraine, the attitude to free prices as such was equally divided between unequivocal and moderate supporters on the one hand and unequivocal and moderate opponents on the other. We should note that this question presented the greatest difficulty to respondents in Crimea, where 44 percent failed to take any stand on free prices.

While the idea of price liberalization as one of the essential prerequisites of market transformations in Ukraine has certain, albeit moderate, support, the attitude of the citizens of our country is quite different with respect to the actual introduction of these prices—more precisely, to the social consequences of this measure. Thus, 83 percent believe that the precipitous rise in prices in November merely contributed to the further impoverishment of the people (12 percent disagreed with this conclusion).

3. New Money

Although rumors about the introduction of the hryvnya have been circulating for a long time, it appears that only now are there grounds for them.

Public opinion can hardly be regarded as an expert guide with respect to this important issue, but it makes sense to take into account the attitudes of the general public, insofar as this is not merely a question of monetary reform, but a question of domestic policy in general.

Sixty percent of those surveyed expressed a positive attitude towards the idea of introducing a Ukrainian currency, 20 percent expressed a negative attitude, and the same number expressed no opinion.

A noteworthy fact is that full support for the future hryvnya was expressed by 43 percent of those who predict the collapse of the CIS and by one-third of those who expect the existing Commonwealth to be transformed into a single union with common government bodies at the highest level. This phenomenon clearly reflects the low level of political culture and competence among our citizens.

An analysis of the breakdown by age and socioprofessional groups of those surveyed showed that these factors do not have a significant effect on the nature of the attitudes of respondents to the possible introduction of the hryvnya.

At the same time, the factor of nationality does play a role. While 42 percent of Ukrainians were in full agreement that the hryvnya needs to exist, among respondents of Russian nationality, only half that number share this point of view.

The regional breakdown of votes exhibits a logical continuation of the effect of the nationality factor. The hryvnya has almost uniform support in the Western region and, inversely, the least support in Crimea. Among the opponents of the hryvnya, the lead goes to the residents of the Southern, Eastern, and Northern regions—17 percent in each region. The Crimeans lag somewhat behind in this respect, with 12 percent opposed, but nearly one-third of those polled on the peninsula failed to answer this question altogether.

Every tenth participant in the poll believes that the hryvnya should already have been introduced at the end of last year. Most of those who favor taking this step this year, indicate the spring. Two-thirds of the supporters of the hryvnya link its introduction to the creation of appropriate economic conditions without naming any specific timetable for its introduction. In particular, 36 percent of those in this category state that the timetable for introducing the national currency depends on ensuring the necessary commodity backing for this currency.

What is your attitude to the possible introduction of the Ukrainian national currency—the hryvnya?

Positive—57%

Negative—20%

Don't know—23%

What Is Your Attitude to the Possible Introduction of the Ukrainian National Currency—the Hryvnya (in percentages by region)

Region	Totally positive	More positive than negative	More negative than positive	Totally negative	Don't know
Eastern	22	24	9	17	27
Crimea	10	20	26	12	32
Southern	33	23	9	17	18
Southwestern	37	21	13	13	13
Western	73	13	7		7
Southeastern	25	37	13	8	17
Northwestern	53	26	8	3	10
North-Central	23	22	16	7	32
Central	39	17	7	1	25
Northern	39	18	8	17	21
Kiev	48	27	8	8	10

*Center for Post-Privatization Assistance Created

954K0517B Kiev URYADOVYY KURYER in Ukrainian 4 Mar 95 p 3

[Article by Vitaliy Chepizhko: "Assistance to Enterprises"]

[FBIS Translated Text] The Ministry of Justice recently registered the Ukrainian Center for Post-Privatization Assistance to Enterprises, which was founded by the State Property Fund of Ukraine, the Union of Medium-Sized and Small Enterprises, a number of scientific and consulting structures, and privatized enterprises.

The center was conceived as a nonstate and nonprofit organization whose efforts will be directed exclusively at carrying out the objectives set out in the center's charter.

The main goal of the newly formed center is to assist Ukraine's privatized and private enterprises in increasing their effectiveness by providing them with assistance in the form of consulting regarding reconstruction and obtaining the necessary investments for these enterprises and to support regional investment projects in Ukraine.

A lot of attention will be devoted to the preparation and implementation of business plans, as well as the training of managers to carry out investment projects. Complex programs for the economic development of regions will be drafted, and information on trends in the development of the national and world market will be collected and analyzed.

Plans call for creating an information and analysis administration on the restructuring of enterprises as part of the center.

According to Oleksandr Savruk, the director of the Center for Post-Privatization Assistance to Enterprises, there are plans to open regional agencies of the center in at least six of Ukraine's oblast capitals in the near future.

Kiev To Pay Uzbekistan for Turkmen Gas

954K0517A Kiev DEMOKRATYCHNA UKRAYINA in Ukrainian 25 Feb 95 p 1

[Article by Myroslav Trukhan, "Vybir": "Ashgabat Will Not Be the Sole Recipient of Ukraine's Payments for Turkmen Gas"]

[FBIS Translated Text] An interesting agreement was signed during the visit of an Uzbekistan Government delegation to Kiev on 18 February. The gist of the agreement is that from now on Kiev will pay a part of its debt to Ashgabat for the gas that is being delivered to Ukraine to... Uzbekistan. The reason for this is that, for its part, Turkmenistan owes Uzbekistan a substantial amount, which it is finding rather difficult to pay off at this time. Consequently, Turkmenistan's debt to Tashkent will be repaid in part with Ukrainian goods—metal products, pipes, metals, and components needed by the gas industry. It is expected that the amount that Uzbekistan will credit towards Turkmenistan's debt repayment will be nearly $130 million.

It should also be noted that Ukraine will now continue to receive Turkmen gas without fearing that the taps might be turned off. An understanding to this effect was reached during Saparmurad Niyazov's visit to Ukraine in January. According to the agreement that was signed, the Ukrresursy state company will pay for 11 billion cubic meters of Turkmen gas that will be delivered to Ukraine this year. As agreed, approximately 40 percent of the "blue fuel" will be paid for in U.S. dollars and the rest with goods, mainly agricultural products.

National Bank Sells First Government Bonds

954F1813A Kiev KIYEVSKIYE VEDOMOSTI in Russian 14 Mar 95 pp 1, 6

[Article by Aleksandr Shtolko, personal correspondent: "The First Bonds of a State Loan Were Sold at a Private

National Bank Auction and Earned Almost 300 Billion Karbovantsy for the Budget"]

[FBIS Translated Text] Chairman of the Board Viktor Yushchenko of the National Bank of Ukraine and First Deputy Minister of Finance Nikolay Sivulskiy announced this on Friday, as soon as the auction was over. Many people are wondering, however, how they could sell state securities after the Russian Federation's announcement that papers were being drawn up for the declaration of Ukraine's bankruptcy.

Viktor Yushchenko reported that the country now owes four major debts (not listed in order of magnitude): to the IMF, to the World Bank (credits and so forth), and to Russia and Turkmenistan. Furthermore, he said that the latter were the most complex, and added that the restructuring of the debt was being negotiated in the event of further complications. Nikolay Sivulskiy believes that the Russian Federation has no right to declare Ukraine bankrupt because, from the formal standpoint, most of the "Gazprom" debts are owed by "Ukrgazprom," which was buying gas from Russia last year. As Sivulskiy pointed out, the state is not responsible for its debts, although he did not deny that they were the result of the state's "fixed rate" policy at that time.

According to the latest plans, 5,000 bonds (in the form of electronic entries) with a face value of 100 million karbovantsy each were to have been sold at the state bond auction, but requests for 5,500 bonds had been received by the time of the auction, and the auction committee therefore had to choose only the most competitive of these (i.e., the bids in excess of the average price). In all, 2,792 bonds were sold to 12 banks participating in the auction (22 bids) at a cost of 92 million karbovantsy each. The amount deposited in the state treasury was 267,825,000,000 karbovantsy. The budget for 1995 envisages the issuance of securities for 17 trillion karbovantsy.

According to spokesmen at the press conference, the biggest difficulties were encountered at the very start of the trading sessions, because no one knew how the "system" would react to this new instrument in the financial market. After all, the operation looked unprofitable on the surface: The Ministry of Finance will receive 1 trillion karbovantsy after all of the domestic loan bonds have been sold, but it will pay out 2.4 trillion on the bonds. It is taking this step expressly, however, in the hope of stabilizing the financial system.

Andrey Litvin, chief of the Securities Administration of the Ministry of Finance, stressed that there are still no restrictions on participation in the auction for banks of the near abroad and that there are no limits on the quantity of state securities to be purchased by them. Besides this, Viktor Yushchenko said that preparations are being made for the issuance of short-term bonds for legal entities with a maturation period of three months and six months.

As far as the state securities (commodity-based bonds) of the former USSR are concerned, Nikolay Sivulskiy said that a mechanism is being set up to cover their value, with adjustments for inflationary processes in 1992-1993 and the rising costs of commodities. He did not, however, mention any specific payment dates or amounts.

Belarus

*Supreme Council Commission Chairman on President, Elections

954F1785A Minsk RESPUBLIKA in Russian 24 Feb 95 p 4

[Interview with Dmitriy Bulakhov, chairman of the Legislative Commission of the Supreme Council, by N. Shcherbachenya; place and date not given: "I Am Adequately Prepared to Remain Who I Am"]

[FBIS Translated Text] [Shcherbachenya] Dmitriy Petrovich, the departure of Gonchar and you distancing yourself from the president—is this natural or, as diplomatic as it may be, is it a move to abandon ship?

[Bulakhov] First of all, those who talk about it as something already taking place, saying that the president and his team are sinking, are clearly doing so too hastily. Aleskandr Lukashenko did make mistakes, but he who does nothing, as commonly known, is the only one who does not make mistakes. In addition, the president and the government inherited an unprecedented load of problems. I believe that it is impossible to rate the work of the president on the basis of current categories based on the pre-election conditions and gut feelings. The big picture can be seen only from a distance, and we have not traveled that distance yet. Inasmuch as the entire "cart" is being pulled by the head of state, however, it would be appropriate to feel some compassion for him. Second, I personally am not one who is prepared to run and hide from problems. Third, I prefer to finish things I start and I do not like when the outcome is unclear to me. It is specifically for that reason that I continue to be in politics and in that so-called distancing I see not a departure and not devious opposition, but something natural to me, which makes it possible to be objective and work not for an individual but for a cause.

[Shcherbachenya] Nevertheless Bulakhov has moved into the shadows. Are you dissatisfied with the president's policy? Or are you dissatisfied with the post which you have been offered?

[Bulakhov] As they say, to each his own. Some aspire to power. I am trying to achieve a goal. That goal is a simple one: it is necessary to transform a slogan into a constitutional norm—to build a unified democratic social law-governed state so that every citizen in it can live and work peacefully and with dignity. I am tired of explaining that the administrative commotion around duties and portfolios is of very little interest to me. Are the five years in the course of which I remained at the same post, again and again refusing offers of more advantageous positions, not sufficient proof of that? If someone believes that a promotion on the job is what constitutes the ultimate dream and evidence of real achievement and intellect, that is his problem. Everyone is good in his place wherever and whenever his skills and talents result in the greatest good for the cause.

I head one of the most complex commissions of the Supreme Council. Years of work provided experience and an understating of all the fine points of one of he most complicated forms of social activity of mankind: the process involved in creating laws. I am a professional, specifically in that area, and I am proud of that. I feel fortunate having been able to stand at the sources of real parliamentarism in our state. In this post I know not only how to manage but also how to do everything myself—from the conception of an idea to advancing a law toward implementation.

Another question is what is political activity as a second direction in the work of a deputy? Here there is also a level which, from my viewpoint, I could assure professionally. If you remember, Bulakhov introduced appropriate proposals back when the presidential administration was being formed. More concretely, there was talk about creating a presidential council—an organ which instead of confrontations with public movements, parties, and the press would establish intelligent and dynamic interaction of authority with structures of the civil society. Unfortunately what was proposed did not receive the support of Aleksandr Lukashenko. Well, that is his choice.

I will attempt to implement the idea of such interaction as the principal formula for preserving civil peace and harmony by other means available to me. I hope that colleagues in the VES [Party of Belarusian Unity] will give me extensive support in that area.

[Shcherbachenya] There is talk about a certain secret gentlemen's agreement between Bulakhov and Lukashenko. Purportedly there is no distancing taking place at all, but there is an attempt to disorient political opponents of the president and you are virtually his "reserve variant."

[Bulakhov] Let me put it this way. Agreements, secret behind-the-scenes deals, of which no one, including myself, knows anything—is the product of some idle imagination of the feverish brains of certain politicians and some journalists. The president and I sat next to each other in the Oval Hall for almost four years. We did not always agree on everything, but it is possible and necessary to talk about the human factor, which inevitably exists in any relations between people, including those in politics. The human factor is very simple: always tell the truth eye to eye and never elevate yourself above someone else while denigrating him. I adhere to this formula in relations with all politicians, even with those who are incapable of doing so in return, whether they like it or not. As far as other secret agreements and alliances—and especially those against someone—are concerned, there were none, there are none, and there will never be any. I will answer the second part of the question very briefly: I realistically evaluate my possibilities and the presidential cloak is clearly not for me.

[Shcherbachenya] Once you repeated a remark made by a political figure from the past: in politics there are no friends; there is merely a certain similarity of interests at a certain stage and at a certain time. In general your political credo fully corresponded to such a principle. You played a role of some significance in the election of Stanislav Shushkevich to his post of chairman of the Supreme Council. Then you distanced yourself from him and were on Vyacheslav Kebich's team for some time and after that on Aleksandr Lukashevich's. Is your viewpoint on political cooperation different today?

[Bulakhov] Quite honestly, I can reply to this with one phrase: "Plato is my friend, but truth is dearer." On the whole my viewpoint on political cooperation has not changed at all because that is the fundamental axiom for any politician. It is equivalent to the Christian commandment: thou shalt not worship false idols. I am sufficiently well trained to be able to remain not as a servant but as myself. In order to promote an idea, as a realist, I will always utilize the mechanisms of compromises and find both people and forces which help to move society toward the goal which I have already mentioned. At one time Stanislav Shushkevich played a positive role developing our statehood. When he became unfaithful to the declared values and principles, then not only Bulakhov but most of the deputies who were supporting him, changed their attitude toward him. Speaking of Lukashenko, as a politician he had declared certain principles and goals, turning to the people for trust. As long as the president rigidly fulfills obligations and acts within the framework of declared principles, it is necessary and important to work with him. That will be supported by the people as well.

[Shcherbachenya] Dmitriy Petrovich, you must agree that your relationships with most of the Supreme Council were forming and are now forming not always in a straightforward manner. Let us recall the story about appointing the chairman of the Constitutional Court. In your opinion, what explains such a relationship?

[Bulakhov] The decision was made by more than 300 individuals sitting in the Oval Hall. I cannot tell you how each of them was guided. I believe that what is most important is that I concluded my speech during the discussion of my candidacy with these words: I would love to serve but not to accommodate. It is true, if elected to that post I had no intention of accommodating any of the forces to the detriment of the Constitution. I do not regret having said that.

[Shcherbachenya] In what area will Bulakhov's talents be used the most: in legislative activity or, after he has become head of the VES party, on the party battlefield?

[Bulakhov] It is not quite correct to ask the question that way, since, as I have already mentioned, we are currently going through a stage in the political life of the state when the time of loners, perhaps even of some very noticeable ones, has passed. Today it is necessary to seek ways of achieving harmony among various existing political forces, recognizing each one as having the right to its own viewpoint. If those who represent the political elite in this country begin fighting among themselves, then believe me, no one will build a bright future in Belarus for us.

[Shcherbachenya] Still, what is Bulakhov's preference?

[Bulakhov] Today everything is directly tied together. Even more than that, one is impossible without the other.

[Shcherbachenya] It is said that Bulakhov, before taking over as head of VES, had stipulated the condition: a monthly salary of $1,500 and other nomenklatura benefits.

[Bulakhov] Your information is apparently outdated. I have already heard about $3,500. By the way you are not the first to ask me that. What can I say? The pay I receive is that of chairman of a commission of the Supreme Council. I would not be surprised if tomorrow some rumors would appear stating that I have a personal helicopter and a supersonic fighter. Someone apparently needs to disseminate such gossip about me. Speaking in advance about such things I will say that I am simply not gong to comment on them. That is rubbish.

[Shcherbachenya] At one time Gennadiy Karpenko was opposed to your party, many of whose members are on presidential commissions, in the Civil Accord bloc. At the recent PNS [Party of People's Accord] congress, the proposal was made to re-elect Karpenko. Once again, it came from people close to the president. Do you see any connection between these two facts?

[Bulakhov] No, I do not. I have not delved into nor do I intend to delve into the internal matters of the Party of People's Accord. The ideological platforms of the PNS and the VES party are sufficiently close. Therefore at the session of our working organ—the Duma—we have established the possibility of constructive interaction with the Civil Accord bloc, including the party which is headed by Karpenko. We made the reservation, however, that we are preserving our organizational independence.

Today, however (and practice is already confirming this) the talk "at the top" about creating formal electoral blocs is premature. At the lower levels, within the apportionment regions, the opposing, frequently party, organizations, forming, let us say, the Civil Accord bloc, are in confrontation, despite the agreement signed in Minsk, but at the same time they interact at the personnel level with their political opponents.

[Shcherbachenya] With whom does the VES plan to cooperate if it proves impossible to join the Civil Accord?

[Bulakhov] We are not beggars and will hardly be "joining" anything. We will interact with those people whose world political outlook coincides with principles, declarations, and ideas of the program of the Party of Belarusian Unity and Accord.

[Shcherbachenya] In other words you will be cooperating only with people?

[Bulakhov] If the programs of parties and views of people representing these parties coincide in most of their positions with ours, then we will always be cooperating with them.

[Shcherbachenya] Your prediction regarding the forthcoming elections: will they take place? Which of the political forces has the greatest chance of winning?

[Bulakhov] First, I guarantee that the elections will take place. Second, the principal sign that society is becoming healthier, I believe, as strange as it may seem, is not the economic situation but the fact that most of the people are beginning to pick their politicians not for what they oppose but for what they stand for, and that "for" is not an absolute truth. In our case today, the process of candidate selection will most likely take place in accordance with the principle of loudest criticism of others and greatest promotion of oneself. This, as a rule, does not represent anything worthwhile inasmuch as the future composition of the Supreme Council, if it turns out to be completely renewed, will have to go through a long and difficult learning process. It will have to learn, again at the expense of its own people, and all of these mistakes are "children's diseases" and plain inexperience which will be reflected in the political situation. I am very apprehensive of that.

As far as chances for victory are concerned, I believe that most of the Supreme Council will be made up of so-called independent deputies, not linked by any obligations with party structures. Against the background of such a majority, the proportion of deputies unified into factions will almost double compared with what exists in today's Supreme Council.

List of Parties Eligible To Run in Elections

954K0527A Minsk BELAPAN in English 0900 GMT 7 Mar 95

[From the "Analysis, Commentaries, Forecasts" feature]

[FBIS Transcribed Text] Parties who have the right to participate in elections to the Supreme Soviet according to the list drawn up by the Ministry of Justice:

Name of Party	Date on Which Founding Conference was Held	Date of Registration, Registration Certificate Number	Leading Body, Its Leader, Address, and Telephone No. of HQ
The Democratic Preelection Bloc			
Party of the Belarusian Popular Front [BPF]	30.05.1993	19.08.1993, reregistered 26.12.94; N.004	Council Chairman Zyanon Paznyak; 220005, Minsk, 8 Varvashenya St.; Tel. 33-50-12
Belarusian Social-Democratic Hramada	2-3.03.1991	21.05.1991; N.90	Central Rada Chairman Aleh Trusaw; 220600, Minsk, F. Skaryna St. 15a; Tel. 46-46-91
Belarusian Peasants'	23.02.1993	11.04.191; N.75	Central Party Council Chairman Yawhen Luhin; 220108 Minsk-108, P.O. Box 333
National Democratic Party of Belarus	23-24.06.1990	25.06.1991; N.114	Supreme Rada Chairman Viktar Navumenka; Partyzanskiy Ave. 83/59, Minsk; Tel. 57-08-23
Preelection Bloc "Civic Concord"			
United-Democratic Party	3-4.11.1990	19.03.1991; N.66	Council Chairman Alyaksandar Dabravolski; 220033, Minsk, Sudmalis St. 10/4; Tel. 29-08-34
Party of People's Concord	11.04.1992	04.06.1992; N.347	Council Chairman Henadz Karpenka; Minsk, F. Skaryna Ave. 79; Tel. 36-74-13
Bloc Based on the Declaration of Combined Activity During the Period of Preparation and Holding of Elections			
Belarusian Ecological Party	16.12.1993	19.04.1994; N.662	Central Rada Chairman Aleksey Mikulich; 220068, Minsk, Asipenka St. 19/51; Tel. 20-11-16
Belarusian Party "Green World"	17.04.1994	03.06.1994; N.688	Central Rada Chairman Aleh Hramyka; Homel, Kasarew St. 42/36; Tel. 45-40-53
Bloc of Left Forces			
Belarusian Communist Party	07.12.1991	26.05.1992; N.336	Polit-Executive Committee Co-chairmen; 220071, Minsk, Lunacharskiy Boulevard, 5/73; Tel. 36-01-76
Agrarian Party	13.06.1992	13.07.1992; N.390	Polit-Council Chairman Semion Sharetski; 220050, Minsk, Myasnikow St. 32/709; Tel. 20-38-29

Republican Party of Labour and Justice	26.06.1993	18.08.1993; N.567	Polit-Council Chairman Anatol Netsilkin; 220004, Minsk, Amuratarskaya St. 7; Tel. 23-93-21
Belarusian Socialist Party	28.07.1994	19.08.1994; N.717	Political Committee Chairman Vyacheslaw Kuznetsow; Minsk, F. Skaryna Ave. 25; Tel. 29-36-62
Bloc Based on the National Movement of Belarus (NMB)			
Party Slavic Assembly	06.06.1992	04.09.1992; N.409	Duma Chairman Mikalay Syarheyew; Minsk, Yasenin St. 22/20; Tel. 39-52-32
Liberal-Democratic Party	05.02.1994	24.02.1994; N.645	Highest Council Chairman Vasil Krivenka; Minsk, Pyaschanaya St. 9; Tel. 26-92-82
Belarusian Patriotic Movement	08.10.1994	10.11.1994; N.001	Chairman Anatol Barankevich; 220012, Minsk, F. Skaryna Ave., 76A/10; Tel. 66-92-46
Parties Entering the Election Independently			
Belarusian Christian-Democratic Unity	01.06.1991	16.12.1991; N.206	Coordinating Rada Co-chairmen Pyotr Silko, Mikhail Areshkaw; 220065, Minsk, Avakyan St. 38-59; Tel. 25-97-56
Party of Belarusian Scientific Industrial Congress	02.10.1992	22.10.1992; N.427	Council Chairman Alyaksandar Sanchukowski; 220007, Minsk, Mahilewskaya St., 39-308; Tel. 33-01-63; 29-83-65
Polish Democratic Union	02.10.1993	27.12.1993; N.617	Rada Chairman Kanstantsyn Tarasevich; 220014, Minsk, Papow St. 26; Tel. 66-63-04
Party of Beer Lovers	14.08.1993	30.12.1993; N.625	Central Coordinating Committee Chairman Yuriy Hanchar; 220119, Minsk, Kuybyshava St. 11/206; Tel. 52-29-76
Belarusian Labour Party	25.11.1993	24.02.1994; N.646	Council Coordinator Alyaksandar Bukhvostaw; Minsk, Kazinets St. 21; Tel. 23-82-26
Belarusian Humanitarian Party	26.02.1994	15.04.1994; N.661	Council Chairman Yawhen Novikaw; 220012, Minsk, F. Skaryna Ave. 80/75; Tel. 26-58-97
Republican Party	12.3.1994	25.5.1994; N.680	Management Chairman Uladzimir Belazar; Minsk, Pershamayskaya St., 18; Tel. 36-50-71
Belarusian Republican Party	26.03.1994	17.06.1994; N.694	Political Council Co-chairmen Valeriy Artyshewski and Uladzimir Ramanaw; 220100, Minsk, Kulman St. 13/71; Tel. 34-07-49
Belarusian Womens' Party "Nadzeya" (Hope)	28.04.1994	03.06.1994; N.688	Council Chairman Valyantsyna Palyavikova; Minsk, Kazinets St. 21/3; Tel. 23-89-57
Belarusian Green Party	30.12.1992	01.02.1993; N.481	Green Rada Chairman Mikalay Kartash; 246027, Homel, Zapadnaya St. 33; Tel. 44-23-52
Party of All-Belarusian Unity and Concord	26.06.1994	19.08.1994; N.719	Duma Chairman Dzmitriy Bulakhaw; Minsk, F. Skaryna Ave. 74A
Belarusian Nationalist Party	09.04.1994	20.09.1994; N.731	Highest Rada Chairman Anatol Astapenka; 220094, Minsk, Plekhanaw St. 32/198; Tel. 49-83-88
Belarusian National Party	05.11.1994	08.12.1994; N.002	Committee Chairman Viktar Tsyareshchanka; 220050, Minsk, K. Marx St. 18; Tel. 27-89-52
Belarusian Social-Sports Party	06.11.1994	09.12.1994; N.003	Council Chairman Uladzimir Alyaksandrovich; 220000, Minsk, Partyzanskiy Avenue, 89A; Tel. 26-93-15

Name of Party	Aim of Creation and Activity	Membership of Party	Number of Local Organizations	Planned Number of Nominees
Democratic Preelection Bloc				
Party the Belarusian Popular Front	To carry out the programme of the BPF by participating in existing organs of state power	2000	—	Around 200
Belarusian Social-Democratic Hramada	The creation of a humanitarian democratic society on the basis of a multi-structured economy, reinforcing the principles of the freedom of the individual, social justice, solidarity, rebirth of the spiritual basis, achievement and insistence on the political independence of Belarus, its equal membership in the European and World Communities	1,500	83	Around 40
Belarusian Peasants' Party	Defence of the political rights and economic interests of peasants, their rebirth by means of their right to own land and other means of production, the rebirth of the self-consciousness and morality of the Belarusian nation, its culture and language	15,613	94	Around 45
National Democratic Party	The unity of individual industrialists, fighting for national rebirth, democracy, the independence of the Belarusian Nation	Around 500	Around 15	No more than 10
Preelection Bloc "Civic Concord"				
United-Democratic Party	The creation of a civic society and a judicial state, based on the priority of general human values, pluralism in all spheres of social development	Around 800	83	Around 70
Party of People's Concord	The construction of a civilised judicial state, the creation of appropriate living conditions for every individual	2,117	52	More than 120
Bloc Based on the Declaration of Combined Activity in the Period of Preparation for and Holding of the Elections				
Belarusian Ecological Party	The defence of civil rights and freedom, the organisation of the active participation of the public in nature conservation policy	600	11	8
Belarusian Party "Green World"	The creation of a healthy living environment for the individual, social nature parameters which ensure the maximum opportunity for its development	Around 1,000	15	30
Communist Party of Belarus	The unity of workers in hired labour for the achievement of complete freedom from exploitation and the construction of a non-class society of social justice	Around 25,000	More than 150	More than 200
The Agrarian Party	Gradual reform of the socio-economic systems on a market basis, a multi-structured economy, the development of all kinds of ownership, the interaction of competition and state regulation in the economy	More than 8,000	—	More than 200
The Republican Party of Labour and Justice	The creation of a society of economic well-being and social justice	More than 1,000	25	No less than 30
Belarusian Socialist Party	The creation of a society of a socialist orientation	650	—	Around 20
Bloc Based on the National Movement of Belarus (NMB)				
Party the Slavic Assembly "Belaya Rus"	The defence of Slavic interests on the basis of the unification of Slavs and the priority of the traditional values of the Slavic civilisation	1,000	Around 20	Around 55
Liberal-Democratic Party	The construction of a judicial state with a multi-structured economy, the creation of favourable conditions for well-being in the lives of every inhabitant of Belarus	Around 500	—	Around 100
Belarusian Patriotic Movement	The defence of national interests, pride, the dignity of the Fatherland in all spheres, the support of the President in his efforts to fulfil his pre-election programme	—	-	No less than 20

Parties Entering the Elections Independently				
Belarusian Christian-Democratic Unity	Moral-spiritual national, political and economic rebirth of Belarus as a judicial democratic sovereign state	470	Around 30	Around 15
Party Belarusian Scientific Industrial Congress	The formation of a civil society characterised by a market economy, the existence of many parties and pluralism, the supremacy of the law			
Polish Democratic Union	The democratisation of society, the conducting of reform, intended for the creation of appropriate living conditions for the population of Belarus, especially national minorities, including the Polish Republics	500		
The Party of Beer Lovers	The struggle for the purity and quality of beer, state independence and the neutrality of Belarus, the freedom of economic relations, the inviobility of the individual and private property			
Belarusian Labour Party	The construction of a democratic society and the creation of a judicial state on the principles of the spiritual, political and economic freedom of the individual, the well-being, morality, social justice and concord of citizens	560	—	No more than 5
Belarusian Humanitarian Party	The union of intellectuals in order to humanitarianise society	Around 2,000	—	10
Republican Party	The regeneration and creation of a strong, sovereign, democratic Belarusian state, the strict observation of human rights	2,500	60	260
Belarusian Republican Party	The creation of a sovereign democratic state with precise division and interaction of power and the priority of the well-being of the people of Belarus, the development of its national culture	350	30	More than 10
Belarusian Women's Party "Nadzeya" (Hope)	The introduction of social and economic reform, intended for the creation of reasonable conditions for the lives and labour of women	Around 2,000	53	70
Belarusian Green Party	The provision of the citizens of Belarus with a healthy living environment	540		
Party of All-Belarusian Unity and Concord	Assisting the construction of a society of national equality and universal well-being in Belarus			
Belarusian Nationalist Party	National rebirth, the achievement of complete independence in Belarus, the creation of a judicial democratic state			
Belarusian National Party	Assisting the construction of a unitary, democratic, social-judicial state, the introduction of economic reform, ensuring the social security of the citizen, the guarantee of the rights and freedom of every individual	—	—	35
Belarusian Social-Sports Party	The creation of a democratic, economically strong and humane state by the perfection of social forms, the improvement of the systems of physical education and public health	—	6	

This file was based on material from the Ministry of Justice of Belarus and the BELAPAN news agency. Data regarding the numerical strength of parties and the number of candidates to an MP's seat in parliament which they are planning to nominate during the course of the elections is provided according to information granted to BELAPAN from the leaders of each party

Armenia

*Significance of Election of New Katholikos Viewed

954F1793 Moscow NEZAVISIMAYA GAZETA in Russian 11 Mar 95 p 2

[Article by Armen Khanbabyan, under "Armenia" rubric: "President Names Own Candidate to Patriarch's Seat: Will Schism in Armenian Church and Society Be Overcome?"]

[FBIS Translated Text] In its political and religious significance, the April election of a new head of the Armenian Apostolic Church, the Katholikos of all Armenians, indisputably takes precedence over the impending republic parliamentary elections. Historically, it has happened that in the absence of a national state, the Armenian Church has in many ways performed the functions of the secular authorities in promoting preservation of the society's integrity and its enlightenment. This is exactly why the authority of the Church and its archpastor has been traditionally high in Armenia. Even more, all these circumstances have led to the fact that along with the actual clergy, secular deputies from all the world's Armenian communities also participate in electing the Katholikos. This makes the Armenian Church substantially different from other Christian churches, underlining its generally national character and its consolidating role. After the establishment of Soviet power in Armenia, a schism occurred in the church which led to the creation of, besides the Echmiadzin, another katholikosate—the Kilikiyskiy, with its center in Lebanon. The Kilikiyskiy patriarchs have attempted to prevent the spread of Echmiadzin influence to Armenian communities abroad, assuming that with the coming of the communists, Echmiadzin leaders had fallen under its control. In its battle against Echmiadzin, the Kilikiyskiy Katholikosate has always depended, to one degree or another, on the support of the Dashnaktsutyun Party, and this, in turn, has not helped to heal the schism, which is the cause of great suffering among all believing and non-believing Armenians.

In Armenia and in diaspora, few people would have thought that the death at the end of last year of Vasgen I, the last Echmiadzin patriarch, might renew hopes for overcoming the schism. Observers believed that the most probable candidates for the seat might be the archbishops of the local dioceses—Ararat, Shirakskiy, Artsakh (Karabakh). Here, the highest-rated chances were for the leader of the Ararat Diocese, which will also be represented by the largest number of religious and secular delegates at the coming national Church Assembly. Regarding Garegin II, the Kilikiyskiy Katholikos, there was the opinion that due to his well-known ties with the Dashnaktsutyun Party, Armenian authorities had extremely negative sentiments toward this candidacy and would do everything they could to prevent his possible nomination and election. However, it did not turn out that way. In an interview with the ARMENPRES agency, President Levon Ter-Petrosyan stated that in his opinion, none other than the Kilikiyskiy, Garegin II, was the most worthy candidate for the role of spiritual pastor to all Armenians. Emphasizing that the Church in Armenia is divided from the state and that his opinion was therefore private, the Armenian president noted that he considered it his civic duty to air his feelings concerning this topical issue precisely because the Church was an extremely tangible factor in the life of the nation. The president also stated that throughout the 1700 years of Christianity's existence in Armenia, the most worthy spiritual pastors of their time have always ascended to the patriarchal throne. In his opinion, today Garegin II, the Kilikiyskiy, is such a person, thanks to "his theological training, enlightenment, diplomatic skills, and competence in administrative affairs." The president added that the matter did not lie in personal merit, alone: the ascendance of Garegin II to the Echmiadzin throne "could become the turning point in the restoration of unity to Armenian Apostolic Church clergy, and in a larger sense, will promote the genuinely national cause of developing relations between Armenia and the diaspora on a new level." Here, the president added that none other than Garegin II is seen as the most suitable figure, capable of beginning this complicated process. "I believe," added the president, "that the pastors of the Armenian Church will not let pass the truly historic opportunity that they have been offered."

To all appearances, the president's opinion will greatly influence all the participants in the national Church Assembly, and for all practical purposes, this will make the election of Garegin II a done deal. As it seems, the president's choice, while unexpected at first glance, is an exclusively strong political move. The ascendance of Garegin II would mean the loss of practically all of Dashnaktsutyun's control over the diaspora's spiritual life, as well as the removal of significant sources of financing. In essence, it could lead to a notable isolation of the party's leadership and a drop in its authority. The compromise proposed by Ter-Petrosyan pulls the rug out from under the Dashnaki and could cause a schism in that party. At the same time, close cooperation between the authorities and the most authoritative person in the foreign diaspora will undoubtedly play a positive role in strengthening the nation's religious unity and will have a positive influence on the president's image as a political leader on a national scale.

*Parliament Activities Detailed

954F1877A Yerevan VREMYA in Russian 22 Mar 95 p 1

[Article by Ashot Gareginyan: "Spring Is a Lawful Time"]

[FBIS Translated Text] March has dawned rather bounteous for Armenian legislators. Was it for nothing that the ZRUTSAKITS weekly named Armenian Republic Supreme Council Chairman Bibken Ararktsyan the man of the week?

Journalists were told about the speaker and other interesting matters at a briefing on 21 March, the day of the vernal equinox, by the head of the Supreme Council's press service, Vaagi Mkrtchan. He reported, in part, that there are already agreements with the parliaments of the Russian Federation, France, Lebanon, Ukraine, Syria, and Georgia. All of these agreements, signed recently, fix cooperation in the area of parliamentary activity. The agreement with the Russian Federation deserves special mention, since on the Russian side it was signed by the chairmen of both chambers; while the agreement with the National Assembly of France is notable first of all for the fact that before this the French parliament had concluded no similar accord with a single other country.

Judging by everything, B. Ararktsyan fully justifies his title of "man of the week," as he has acted extremely energetically. To which the above-mentioned agreements bear witness. And his visit at the end of last week to Kiev is regarded as very important, and by some even as crucial, since after the disintegration of the USSR, Armenian-Ukrainian ties experienced a period of a certain slowdown. Which, however, can be explained by objective reasons. Now the matter seems to have gotten moving, and the sides are ready to expand and strengthen interstate contacts in the economic, political, and other extremely important areas of life. In the words of Mkrtchan, the achievement of a principled understanding on Ukrainian servicemen taking part in international peacekeeping operations in the area of the Karabakh-Azerbaijani conflict should be considered a significant fact. Ukraine, generally speaking, releases its soldiers to other places reluctantly, but in the given instance, perhaps, it will indeed embark on such a step. One thinks that relations between Yerevan and Kiev will receive fresh impetus in May, when a visit is expected from a Ukrainian parliamentary delegation, headed by speaker Oleksandr Moroz. Incidentally, for a more qualitative acquaintanceship with each other's lives, reciprocal trips of groups of journalists are planned. So maybe we will get to stroll along Kiev's main street!

In a word, Armenia's parliament is making an appreciable contribution to the strengthening of interstate ties, to which circumstance V. Mkrtchan asked the press to direct its attention and to give its due in their articles.

One more question is the Constitution. Here, as well, the legislators worked pretty well, "cranking out" more than 400 hours of the work discussion process, all told. And now the work of the Constitutional Commission is completed, and all of the observations and additions to the draft Basic Law have been considered. Now the matter depends on the parliament. It has been proposed, in part, that the Constitution not be adopted by the Supreme Council, but be submitted to a nationwide referendum on the day of the new parliamentary elections—5 July. It is intended also to propose to the people to decide whether we will have the death penalty or not (the draft Constitution indicates that every citizen of the Republic of Armenia has the right to life.)

Incidentally, about citizens. There is still no Law on Citizenship, and therefore it is difficult to speak of the process itself; however, the draft promises to simplify the procedure for getting citizenship for those residents of Armenia who are Armenian by nationality. Besides this, if a person has decided to adopt Armenian citizenship, then he cannot be a citizen of any other country.

Relations between the president and the National Assembly (so will the supreme legislative organ be called) will be built on the foundation of adequate counterbalance to avoid defects. The National Assembly can declare no confidence in the president, or even subject him to impeachment, if he deserves such. In his turn, the president has the right to disband parliament (as Nazarbayev recently did in Almaty); however, he does not have the right to do this in the course of a year after the election of a new parliament, or when less than six months remain until the termination of his presidential authority.

The administrative system is being changed: In the place of today's rayons, we will have marzy and obshchiny. The capital city of Yerevan, in view of its exclusive importance for the entire Republic of Armenia, will be made into a special marz. As for the judicial power, it is planned to make it independent, and the judges, appointed for life; and no one, even the president, will be able to remove them. The exception is only today's transition period, when the president, at the recommendation of the Council of Justice, will appoint judges for a period of three years.

I would like to remind our readers that this is still just a draft, which must still go through the requisite judicial and linguistic examination. And we will say what we think on this subject in due course.

After the vernal equinox, the lives of the legislators will hardly become more tranquil. In addition to routine business, it is expected, in particular, that at the end of March, B. Ararktsyan, at the head of the CIS delegation, will head to Spain for the 93d congress of the Interparliamentary Council (Interparliament). In April, he will travel to Great Britain. And in the first half of June, when the plenary session of the Interparliamentary Assembly of Countries of Black Sea Cooperation will take place, Albania, which now chairs that forum, will yield its place to Armenia.

*Sociologist Views Upcoming Elections

954F1879A Yerevan VREMYA in Russian 22 Mar 94 p 3

[Interview with Aleksandr Tatevosyan, vice president of the Armenian Sociological Association, by Mikhail Shakhsuvaryan; place and date not given; under the rubric "Political Patience": "Are 'They' Returning?"]

[FBIS Translated Text] **Paraphrasing a well-known expression, one can say that the lips of the sociologist speak the truth. Sociologists do not speak as often as we would like, but when this happens, one hears extraordinary ideas. Such, in our view, are the ones expressed by the vice president of the Armenian Sociological Association, Aleksandr Tatevosyan. He is also the chairman of the disciplinary commission of the Ramkavar Azatakan Party.**

[Shakhsuvaryan] During the past several years Armenian society has experienced so many political and economic shocks that it would be hard not to assume that it will undergo essential changes. The parliamentary elections will probably show them. What, in your opinion, will the people vote for?

[Tatevosyan] First of all let me say that there still have been no significant strides regarding the economic and social aspect during the past historical period, and to speak of the fact that society has changed would be wishful thinking. At the beginning of the transformations the current authorities were legitimate. They found a consensus with broad segments of the population regarding the fact that the old regime had outlived its day. And, taking advantage of this support, the new figures began to break down the entire institutional system of "real socialism." The communists relinquished their position so easily since they understood the inevitability of change. But the problem is that the new ideologists did not have a precise idea of what they were building. They were oriented primarily toward generalities and intentions. Therefore they predictably arrived at the illusory conviction that Western market models applied here would automatically provide for society's transition to a different quality. The subsequent "great social experiment" did not justify itself since it did not have a sociohistorical base. Blaming this on difficulties specific to Armenia—the blockade, the earthquake, the war—does not essentially change the content of the process. It has developed with the same result in the European countries as well—Poland, Czechoslovakia, Hungary. There they did not have the difficulties we use to justify our situation. On the contrary, they had powerful advantages—regional proximity to the West they were imitating and the historical experience in prewar times to which these countries could refer. But when carrying out our destruction we did not have a point of reference even in the year 1913 in the annals of history. Be that as it may, they failed and we did too.

[Shakhsuvaryan] That is, in your opinion, the process was an objective one?

[Tatevosyan] Obviously. It seems that in such a course of events one cannot blame either the authorities or the opposition or the people, but one must not fail to take subjective circumstances into account. When the consensus between the new political forces and the people was violated, a deep contradiction occurred. And this led to political apathy and people began to flee from everywhere in the country. There was a need for new ideas, new hopes, and even new political forces. What were the authorities to do under such circumstances? As we can see, they resorted to the old myth about enemies, distracting the people with fear of returning to the past. In a fierce political struggle this enemy appears as the main obstacle on the path to positive transformations. Against whom, for example, did we create the right-wing bloc that united various parties? Against the forces that are striving to restore the former empire. But the fact is that the transformations were so deep that the psychological shift in the evaluation of the old regime practically precludes a return to the past (but not a return of communists). We can only go forward, but where, in what direction? Other republics (Ukraine, Estonia, Kyrgyzstan) where communists are in power again are still moving on a new path of their own. And in general the post-Soviet society has "turned red" or has this tendency. Which forces are behind this? They are people who made money in the sphere of the shadow economy and now, having capital, are again claiming power. And they could become the motive force for more social progress.

The people currently in power call themselves liberal democrats. But they are more like liberal conservatives. Liberals on the plane of implementing economic reforms but conservatives in the sense of the forms and methods of rule—they are no less totalitarian than they were before. Obviously they had to be replaced with more constructive, balanced forces that have a program and their own vision of paths for development of society. That is, the people who had to come to power would fit best into the definition "liberal democrats." In a word, there was a real need for a change of power. Otherwise more five-year periods would be marked by deepening the rift between the people and the authorities and serious social and political conflicts which would throw society further from the path of progress.

[Shakhsuvaryan] As I understand it, the former partocrats, who used to be in charge of the shadow economy, are now "liberal democrats"?

[Tatevosyan] You know they appeared during Khrushchev's times, during the course of the "first liberalization" of Soviet society. The shadow economy took form at the beginning of the 1960's, and by the beginning of perestroyka, according to certain estimates, its volume was already comparable to the gross national product (approximately 30 percent of the USSR gross output during 1986-1987).

Figures in the shadow economy belonged mainly to the party-caste structure. Now that there has been a change of power, a redistribution of national wealth has begun and this must stand in contradiction to their interests. True, these people had to be reckoned with, and conspiracies were entered with many of them. During the post-perestroyka period "shadow economy businessmen" for the most part left politics and went into the economy. And now they will defend their new political interests.

[Shakhsuvaryan] That is similar to the common process that takes place after a revolution: The "old" come to power as the new, and the "new" disperse.

[Tatevosyan] In the AOD [Armenian Pannational Movement] all these transformations took place between the "romantics," the "rationalists," and those who felt they had been done out of their fair share (the "offended"). Such was the conventional configuration. And since the AOD initially did not have a program and was not a mass organized force, it quickly lost its advantages.

[Shakhsuvaryan] Still, on the eve of the elections—and this is possibly a superficial view—the position of the main person in the AOD, Levon Ter-Petrosyan could not really be called shaky. What do you think?

[Tatevosyan] In the March issue of URARTU they printed some curious results of a sociological poll. In first place among the possible leaders the respondents placed Karen Demirchyan, and the current president was only in third place. It is remarkable that Suren Arutyunyan was among the top four. According to these same sociological polls, the AOD is supported by no more than 8 percent of the population.

[Shakhsuvaryan] ...And, as we can see, the communists are in first place.

[Tatevosyan] Yes. But even they are not gathering a very large percentage. But communists are a subject for a separate discussion....

[Shakhsuvaryan] Do you think that the former "shadow economy businessmen" could come to power? Incidentally, do they have anything to do with the party of Armenian liberal-democrats?

[Tatevosyan] We must not confuse the economic interests of particular groups with the form of political formation. Ramkavar members are a traditional national party. Its revival in the homeland would be conditioned by historic necessity. Leaving the diaspora, the PRA [Ramkavar Azatakan Party] participated in the political struggle of the states where the communities lived and engaged in basic provision of ethnic protection mechanisms and cultural-educational activity and ties with the homeland. Now the Ramkavar members have gained an opportunity for full-fledged participation in the creation of the Armenian state. We are continuing to hold centrist positions of constructive opposition and, while retaining the right to criticize, are prepared to work with any authorities for the good of the people. Now the party includes mainly intelligentsia and the average educational level is very high.

[Shakhsuvaryan] Judging from what you have said, the activity of the population in the elections will be low....

[Tatevosyan] In the first place, there are considerable doubts about the figures—there are no precise data on the size of this population. We do not know how many people have left the republic. It is ridiculous, but it is impossible to judge this even from the number of vouchers that were issued. Therefore great possibilities are created for falsification. And in order for the people to be active in the elections they must understand who is capable of what. Under the conditions of the present situation—I have in mind the mass media as well—this is very difficult. As of today broad segments of the population have a very foggy idea of the role and position of political forces, they have not kept up with their programs, and they are very passive. The main thing is to achieve political activity on the part of the people. It is also important to establish effective monitoring of the course of the elections. The voters themselves should also be interested in this. Public organizations inspire a great deal of hope in this sense. True, many of them are in the process of establishment.

[Shakhsuvaryan] But, as I understand it, during the elections there will be foreign observers in the republic.

[Tatevosyan] If I am not mistaken, there will be about 150 observers. This, of course, is that uninterested view from outside which to a certain degree guarantees the legality of the observance of all procedures. But the people must be the main thing. The condition of the republic in the next five years and possibly even in the more distant future will depend on their political activity.

BULK RATE
U.S. POSTAGE
PAID
PERMIT NO. 352
MERRIFIELD, VA.

This is a U.S. Government publication produced by the Foreign Broadcast Information Service (FBIS). Its contents in no way represent the policies, views, or attitudes of the U.S. Government.

FBIS collects, translates, disseminates, and analyzes foreign open-source information on behalf of the U.S. Government. Its publications may contain copyrighted material. ***Copying and dissemination is prohibited without permission of the copyright owners.***

— Bracketed indicators before the first sentence of each item describe the way in which the material was processed by FBIS.

— Headlines and all bracketed explanatory notes are supplied by FBIS.

— Personal and place names are rendered in accordance with the decisions of the U.S. Board on Geographic Names as adapted by FBIS. Unverified names in radio and television material appear in parentheses and are spelled phonetically; words and phrases in parentheses preceded by a question mark are unclear in the original and deduced from context.

SUBSCRIPTION INFORMATION

U.S. Government Customers

For a list of FBIS products, to subscribe to an FBIS publication, or to indicate a change of address contact:

FBIS
P.O. Box 2604
Washington, DC 20013-2604
Telephone: (202) 338-6735
FAX: (703) 733-6042

Non-Government Customers

Subscriptions are available from the National Technical Information Service:

NTIS
5285 Port Royal Road
Springfield, VA 22161
Telephone: (703) 487-4630
FAX: (703) 321-8547

New subscribers should expect a 30-day delay in receipt of the first issue.